

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 2019

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 2019, 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 31,2019 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
<p><i>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures</i></p>	
<p>We considered expected credit loss calculations of financial assets outlined in TFRS 9 as a key audit matter due to the transition to TFRS 9 as a key audit matter due to:</p> <ul style="list-style-type: none"> - 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 - TFRS 9, have complex and intensive control environment - The new, significant and complex judgments and estimations needed for the calculation of expected credit losses and - The complex disclosure requirements of TFRS. 	<p>Our audit procedures include among others include:</p> <ul style="list-style-type: none"> - 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 judgements and estimates made in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of management’s selection of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice - 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, 2019 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

31 January 2020
İstanbul, Türkiye



**THE YEAR-END UNCONSOLIDATED FINANCIAL REPORT OF
PASHA YATIRIM BANKASI A.Ş. AS OF 31 DECEMBER 2019**

Address of the Bank's Headquarters

Eski Büyükdere Caddesi Hümeysra Sokak No:2
PASHA Plaza, Kat:5 34415 Kağıthane, İstanbul

Telephone of the Bank

(0 212) 705 89 00

Fax of the Bank

(0 212) 345 07 12

Web site of the Bank

www.pashabank.com.tr

E-mail for correspondence

info@pashabank.com.tr

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

1. General Information About The Bank
2. Unconsolidated Financial Statements of The Bank
3. Explanations on Accounting Policies
4. Information Related to Unconsolidated Financial Position and Risk Management
5. Explanations and Notes Related to Unconsolidated Financial Statements
6. Other Explanations and Notes
7. 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 Oğan KNOTTNERUS

Chairperson of

Audit Committee

Kamala NURIYEVA

Member of

Audit Committee

H. Cenk HYNHAN

General Manager

Benan Bilge KÖKSAL

Deputy General Manager

Yeşim ÇAĞLAR

Financial Planning, Control and
Strategy Department Manager

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

Name-Surname/Title : Yeşim ÇAĞLAR / Manager
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PASHA YATIRIM BANK A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

SECTION ONE

GENERAL INFORMATION

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

Bank's commercial title	PASHA Yatırım Bankası A.Ş.
Reporting Period	1 January - 31 December 2019
Address of the Bank's Headquarters	Eski Büyükdere Caddesi Hümeyra Sokak No:2 PASHA Plaza, Kat:5 34415 Kağıthane, İstanbul
Telephone	(0 212) 705 89 00
Fax	(0 212) 345 07 12
Website	www.pashabank.com.tr
E-mail	info@pashabank.com.tr

PASHA Yatırım Bankası A.Ş. ("Bank", "PASHA Bank") has been permitted by the decree no. 87/11898 dated 17 June 1987 by the Council of Ministers pursuant to the 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 2019 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

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

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

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PASHA YATIRIM BANK A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

GENERAL INFORMATION *(continued)*

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

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

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

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

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

The shareholder structure of the Bank as of 31 December 2019, is stated below:

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

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PASHA YATIRIM BANK A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

GENERAL INFORMATION (continued)

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

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

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

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

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

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

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

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

IV. Explanation on shareholders having control shares

Explanation on shareholders having control shares of the Bank as of 31 December 2019, is stated below;

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital (nominal)	Unpaid portion
Leyla Aliyeva	187,423	37.485%	187,423	-
Arzu Aliyeva	187,423	37.485%	187,423	-
Arif Pashayev	124,949	24.990%	124,949	-

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

The Bank operates as an investment bank and as of 31 December 2019 the Bank has 56 employees (31 December 2018 - 52).

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

None.

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PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	ASSETS	Note	Current Period 31/12/2019			Prior Period 31/12/2018 ⁽¹⁾		
			LC	FC	Total	LC	FC	Total
I.	FINANCIAL ASSETS (Net)		168,154	162,324	330,478	78,274	112,741	191,015
1.1	Cash and cash equivalents		151,330	162,192	313,522	68,592	109,075	177,667
1.1.1	Cash and balances at Central Bank	(5.1.1)	3,692	123,039	126,731	8,536	76,575	85,111
1.1.2	Banks	(5.1.3)	757	39,153	39,910	10,103	32,500	42,603
1.1.3	Receivables from money markets		147,045	-	147,045	50,033	-	50,033
1.1.4	Allowance for expected credit losses (-)		(164)	-	(164)	(80)	-	(80)
1.2	Financial assets at fair value through profit or loss	(5.1.2)	-	-	-	1,250	1,537	2,787
1.2.1	Public debt securities		-	-	-	-	-	-
1.2.2	Equity instruments		-	-	-	-	-	-
1.2.3	Other financial assets		-	-	-	1,250	1,537	2,787
1.3	Financial assets at fair value through other comprehensive income	(5.1.4)	16,824	-	16,824	8,314	-	8,314
1.3.1	Public debt securities		4,620	-	4,620	3,817	-	3,817
1.3.2	Equity instruments		7,659	-	7,659	-	-	-
1.3.3	Other financial assets		4,545	-	4,545	4,497	-	4,497
1.4	Derivative financial assets		-	132	132	118	2,129	2,247
1.4.1	Derivative financial assets at fair value through profit or loss	(5.1.2)	-	132	132	118	2,129	2,247
1.4.2	Derivative financial assets at fair value through other comprehensive income	(5.1.11)	-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		218,930	905,439	1,124,369	387,817	512,675	900,492
2.1	Loans	(5.1.5)	257,246	803,289	1,060,535	390,668	451,981	842,649
2.2	Receivables from leasing transactions	(5.1.10)	6,920	25,594	32,514	12,585	-	12,585
2.3	Factoring receivables		-	-	-	-	-	-
2.4	Financial assets measured at amortised cost	(5.1.6)	-	79,975	79,975	-	60,694	60,694
2.4.1	Public debt securities		-	29,918	29,918	-	37,533	37,533
2.4.2	Other financial assets		-	50,057	50,057	-	23,161	23,161
2.5	Allowance for expected credit losses (-)	(5.1.5)	(45,236)	(3,419)	(48,655)	(15,436)	-	(15,436)
III.	NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS (Net)	(5.1.16)	-	-	-	-	-	-
3.1	Held for sale		-	-	-	-	-	-
3.2	Held from discontinued operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
4.1	Investments in associates (Net)	(5.1.7)	-	-	-	-	-	-
4.1.1	Associates accounted by using equity method		-	-	-	-	-	-
4.1.2	Non-consolidated associates		-	-	-	-	-	-
4.2	Investments in subsidiaries (Net)	(5.1.8)	-	-	-	-	-	-
4.2.1	Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		-	-	-	-	-	-
4.3	Jointly Controlled Partnerships (Joint Ventures) (Net)	(5.1.9)	-	-	-	-	-	-
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)	(5.1.12)	90,238	-	90,238	2,375	-	2,375
VI.	INTANGIBLE ASSETS AND GOODWILL (Net)	(5.1.13)	6,077	-	6,077	1,274	-	1,274
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		6,077	-	6,077	1,274	-	1,274
VII.	INVESTMENT PROPERTIES (Net)	(5.1.14)	145,599	-	145,599	218,333	-	218,333
VIII.	CURRENT TAX ASSETS		993	-	993	351	-	351
IX.	DEFERRED TAX ASSETS	(5.1.15)	15,628	-	15,628	12,171	-	12,171
X.	OTHER ASSETS (Net)	(5.1.17)	12,121	-	12,121	23,481	73	23,554
	TOTAL ASSETS		657,740	1,067,763	1,725,503	724,076	625,489	1,349,565

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

The accompanying notes are an integral part of these financial statements

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	EQUITY AND LIABILITIES	Note	Current Period 31/12/2019			Prior Period 31/12/2018 ⁽¹⁾		
			LC	FC	Total	LC	FC	Total
I.	DEPOSITS	(5.2.1)	-	-	-	-	-	-
II.	LOANS RECEIVED	(5.2.3)	69,198	597,457	666,655	34,277	426,113	460,390
III.	MONEY MARKET FUNDS	(5.2.4)	6,192	-	6,192	-	-	-
IV.	MARKETABLE SECURITIES ISSUED (Net)	(5.2.5)	7,815	468,149	475,964	54,104	264,388	318,492
4.1	Bills		7,815	-	7,815	54,104	-	54,104
4.2	Asset backed securities		-	-	-	-	-	-
4.3	Bonds		-	468,149	468,149	-	264,388	264,388
V.	FUNDS		10,103	4,868	14,971	13,764	9,236	23,000
5.1	Borrower funds		10,103	4,868	14,971	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	(5.2.2)	-	-	-	-	116	116
7.2	Derivative financial liabilities at fair value through other comprehensive income	(5.2.8)	-	-	-	-	-	-
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (Net)	(5.2.7)	147	-	147	-	-	-
X.	PROVISIONS	(5.2.9)	10,388	-	10,388	9,830	-	9,830
10.1	Provision for restructuring		-	-	-	-	-	-
10.2	Reserves for employee benefits		551	-	551	565	-	565
10.3	Insurance technical reserves (Net)		-	-	-	-	-	-
10.4	Other provisions		9,837	-	9,837	9,265	-	9,265
XI.	CURRENT TAX LIABILITIES	(5.2.10)	1,960	-	1,960	5,425	-	5,425
XII.	DEFERRED TAX LIABILITIES	(5.2.11)	-	-	-	-	-	-
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.2.12)	-	-	-	-	-	-
13.1	Held for sale		-	-	-	-	-	-
13.2	Related to discontinued operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT	(5.2.13)	-	-	-	-	-	-
14.1	Loans		-	-	-	-	-	-
14.2	Other debt instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES	(5.2.6)	15,774	1,842	17,616	25,929	726	26,655
XVI.	SHAREHOLDERS' EQUITY	(5.2.14)	531,610	-	531,610	505,657	-	505,657
16.1	Paid-in capital		500,000	-	500,000	500,000	-	500,000
16.2	Capital reserves		-	-	-	-	-	-
16.2.1	Equity share premiums		-	-	-	-	-	-
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Other capital reserves		-	-	-	-	-	-
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		-	-	-	-	-	-
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		221	-	221	(41)	-	(41)
16.5	Profit reserves		5,655	-	5,655	5,655	-	5,655
16.5.1	Legal reserves		295	-	295	295	-	295
16.5.2	Statutory reserves		295	-	295	295	-	295
16.5.3	Extraordinary reserves		5,065	-	5,065	5,065	-	5,065
16.5.4	Other profit reserves		-	-	-	-	-	-
16.6	Profit or loss		25,734	-	25,734	43	-	43
16.6.1	Prior years' profits or losses		43	-	43	3,606	-	3,606
16.6.2	Current period net profit or loss		25,691	-	25,691	(3,563)	-	(3,563)
	TOTAL EQUITY AND LIABILITIES		653,187	1,072,316	1,725,503	648,986	700,579	1,349,565

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

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

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET AS AT 31 DECEMBER 2019**

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

II. OFF-BALANCE SHEET

	Note	Current Period 31/12/2019			Prior Period 31/12/2018		
		LC	FC	Total	LC	FC	Total
OFF BALANCE SHEET COMMITMENTS							
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		213,337	166,662	379,999	303,285	218,096	521,381
I. GUARANTEES AND WARRANTIES	(5.3.1)	201,464	154,925	356,389	254,023	168,630	422,653
1.1. Letters of Guarantee		201,464	130,567	332,031	254,023	116,938	370,961
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	10,562	10,562
1.1.3. Other Letters of Guarantee		201,464	130,567	332,031	254,023	106,376	360,399
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	598	598	-	-	-
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	598	598	-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		-	23,760	23,760	-	51,692	51,692
1.9. Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(5.3.1)	17	-	17	82	-	82
2.1. Irrevocable Commitments		17	-	17	82	-	82
2.1.1. Asset Purchase and Sales Commitments		-	-	-	-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Commitments for Loan Limits		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		-	-	-	-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		17	-	17	17	-	17
2.1.9. Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10. Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		-	-	-	65	-	65
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2)	11,856	11,737	23,593	49,180	49,466	98,646
3.1. Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2. Trading Derivative Financial Instruments		11,856	11,737	23,593	49,180	49,466	98,646
3.2.1. Forward Foreign Currency Buy/Sell Transactions		11,856	11,737	23,593	49,180	49,466	98,646
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	11,737	11,737	1,734	47,882	49,616
3.2.1.2. Forward Foreign Currency Transactions-Sell		11,856	-	11,856	47,446	1,584	49,030
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1. Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2. Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3. Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4. Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5. Securities Options-Buy		-	-	-	-	-	-
3.2.3.6. Securities Options-Sell		-	-	-	-	-	-
3.2.4. Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1. Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2. Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		843,459	1,263,974	2,107,433	816,031	547,883	1,363,914
IV. ITEMS HELD IN CUSTODY		7,288	-	7,288	10,803	-	10,803
4.1. Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		-	-	-	4,240	-	4,240
4.3. Cheques Received for Collection		6,152	-	6,152	6,556	-	6,556
4.4. Commercial Notes Received for Collection		1,136	-	1,136	7	-	7
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		824,265	1,144,866	1,969,131	805,193	495,885	1,301,078
5.1. Marketable Securities		57,278	89,100	146,378	32,652	79,215	111,867
5.2. Guarantee Notes		175,064	68,546	243,610	188,759	70,898	259,657
5.3. Commodity		63,552	-	63,552	61,127	-	61,127
5.4. Warranty		-	-	-	-	-	-
5.5. Immovable		332,242	-	332,242	322,242	-	322,242
5.6. Other Pledged Items		196,129	987,220	1,183,349	200,413	345,772	546,185
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,906	119,108	131,014	35	51,998	52,033
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1,056,796	1,430,636	2,487,432	1,119,316	765,979	1,885,295

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PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

III. STATEMENT OF PROFIT OR LOSS

	INCOME STATEMENT	Note	Current Period 31/12/2019	Prior Period 31/12/2018 ⁽¹⁾
I.	INTEREST INCOME	(5.4.1)	140,925	124,370
1.1	Interest on Loans		109,172	107,478
1.2	Interest Received From Reserve Deposits		1,566	1,690
1.3	Interest Received From Banks		3,568	6,095
1.4	Interest Received From Money Market Transactions		16,422	2,198
1.5	Interest Received From Marketable Securities Portfolio		8,171	3,806
1.5.1	Financial assets at fair value through profit or loss		-	-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		1,766	2,255
1.5.3	Financial Assets Measured at Amortised Cost		6,405	1,551
1.6	Finance Lease Income		1,860	3,097
1.7	Other Interest Income		166	6
II.	INTEREST EXPENSES (-)	(5.4.2)	(43,865)	(44,872)
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		(21,253)	(18,335)
2.3	Interest on Money Market Transactions		(265)	(4,033)
2.4	Interest on Securities Issued		(20,560)	(21,641)
2.5	Finance Lease Expense		(21)	-
2.6	Other Interest Expenses	(5.4.12)	(1,766)	(863)
III.	NET INTEREST INCOME/EXPENSE (I - II)		97,060	79,498
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		4,017	3,168
4.1	Fees and Commissions Received		5,386	4,324
4.1.1	Non-cash loans		3,796	3,669
4.1.2	Other	(5.4.12)	1,590	655
4.2	Fees and Commissions Paid (-)		(1,369)	(1,156)
4.2.1	Non-Cash Loans		(477)	(319)
4.2.2	Other	(5.4.12)	(892)	(837)
V.	DIVIDEND INCOME	(5.4.3)	-	-
VI.	TRADING PROFIT/LOSS (Net)	(5.4.4)	(3,284)	(1,009)
6.1	Profit/Losses From Capital Market Transactions		128	532
6.2	Profit/Losses From Derivative Financial Transactions		(5,281)	2,303
6.3	Foreign Exchange Profit/Losses		1,869	(3,844)
VII.	OTHER OPERATING INCOME	(5.4.5)	5,757	855
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		103,550	82,512
IX.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(5.4.6)	(38,990)	(17,663)
X.	OTHER PROVISION EXPENSES (-)	(5.4.6)	-	(50)
XI.	PERSONNEL EXPENSES (-)		(16,063)	(13,736)
XII.	OTHER OPERATING EXPENSES (-)	(5.4.7)	(15,528)	(55,359)
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		32,969	(4,296)
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)	(5.4.8)	32,969	(4,296)
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.4.9)	(7,278)	733
18.1	Current Tax Provision		(10,808)	(9,547)
18.2	Expense Effect Of Deferred Tax (+)		4,158	10,280
18.3	Income Effect Of Deferred Tax (-)		(628)	-
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	(5.4.10)	25,691	(3,563)
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income From Assets Held For Sale		-	-
20.2	Profit From Sale Of Associates, Subsidiaries And Joint Ventures		-	-
20.3	Other Income From Discontinued Operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses On Assets Held For Sale		-	-
21.2	Losses From Sale Of Associates, Subsidiaries And Joint Ventures		-	-
21.3	Other Expenses From Discontinued Operations		-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)	(5.4.8)	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.4.9)	-	-
23.1	Current Tax Provision		-	-
23.2	Expense Effect Of Deferred Tax (+)		-	-
23.3	Income Effect Of Deferred Tax (-)		-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)	(5.4.10)	-	-
XXV.	NET PROFIT/LOSSES (XIX+XXIV)	(5.4.11)	25,691	(3,563)
	Profit/Loss Per Share		0.0514	(0.0090)

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

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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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 2019**

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Current Period 31/12/2019	Prior Period 31/12/2018
I.	PROFIT (LOSS)	25,691	(3,563)
II.	OTHER COMPREHENSIVE INCOME	262	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	262	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	335	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	(73)	(1)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	25,953	(3,556)

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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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 2019**

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Shareholders' Equity	
						1	2	3	4	5	6					
Prior Period 01/01/2018 – 31/12/2018																
I.	Balance at the beginning of the period	255,000	-	-	-	-	-	-	-	(48)	-	324	(10,677)	16,008	260,607	
II.	Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	3,606	-	-	3,606	
2.1	Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	3,606	-	3,606	
III.	New balance (I+II)	255,000	-	-	-	-	-	-	-	(48)	-	324	(7,071)	16,008	264,213	
IV.	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	7	-	-	-	(3,563)	(3,556)	
V.	Capital increase in cash	245,000	-	-	-	-	-	-	-	-	-	-	-	-	245,000	
VI.	Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Profit distribution	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-	
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Period-End Balance (III+IV+.....+X+XI)	500,000	-	-	-	-	-	-	-	(41)	-	5,655	3,606	(3,563)	505,657	
Current Period 01/01/2019 – 31/12/2019																
I.	Balance at the beginning of the period	500,000	-	-	-	-	-	-	-	(41)	-	5,655	3,606	(3,563)	505,657	
II.	Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	New balance (I+II)	500,000	-	-	-	-	-	-	-	(41)	-	5,655	3,606	(3,563)	505,657	
IV.	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	262	-	-	-	25,691	25,953	
V.	Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	(3,563)	3,563	-	
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	(3,563)	3,563	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Period-End Balance (III+IV+.....+X+XI)	500,000	-	-	-	-	-	-	-	221	-	5,655	43	25,691	531,610	

- 1) Accumulated revaluation increase/decrease of fixed assets
2) Accumulated remeasurement gain/loss of defined benefit pension plan
3) Other (Shares of investments valued by equity method in other comprehensive income not classified through profit or loss and other accumulated amounts of other comprehensive income items not reclassified through other profit or loss)
4) Foreign currency translation reserve
5) Accumulated revaluation and/or remeasurement gain/loss of the financial assets at fair value through other comprehensive income
6) Other (Cash flow hedge gain/loss, shares of investments valued by equity method in other comprehensive income classified through profit or loss and other accumulated amounts of other comprehensive income items reclassified through other profit or loss)

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

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**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 2019**

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

VI. STATEMENT OF CASH FLOW

	Note	Current Period 31/12/2019	Prior Period 31/12/2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	66,860	(84,527)
1.1.1	Interest Received	147,431	109,406
1.1.2	Interest Paid	(43,315)	(38,730)
1.1.3	Dividend Received	-	-
1.1.4	Fees and Commissions Received	3,827	4,324
1.1.5	Other Income	847	(117,114)
1.1.6	Collections from Previously Written-off Loans and Other Receivables	694	-
1.1.7	Payments to Personnel and Service Suppliers	(15,680)	(13,262)
1.1.8	Taxes Paid	(14,154)	(13,623)
1.1.9	Other	(12,790)	(15,528)
1.2	Changes in Operating Assets and Liabilities	(55,899)	(12,121)
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss	2,787	181
1.2.2	Net increase (decrease) in due from banks	(35,674)	(8,863)
1.2.3	Net increase (decrease) in loans	(168,055)	(145,923)
1.2.4	Net increase (decrease) in other assets	(626)	23,635
1.2.5	Net increase (decrease) in bank deposits	-	-
1.2.6	Net increase (decrease) in other deposits	-	-
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss	-	-
1.2.8	Net Increase/(Decrease) in Funds Borrowed	143,900	185,209
1.2.9	Net Increase/(Decrease) in matured Payables	-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	1,769	(66,360)
I.	Net Cash Provided from Banking Operations	10,961	(96,648)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from / (Paid For) Investing Activities	(40,877)	(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	(23,430)	(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	(21,936)	(3,642)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income	13,628	19,596
2.7	Cash paid for the purchase of financial assets at amortised cost	(21,121)	(62,902)
2.8	Cash obtained from sale of financial assets at amortised cost	11,982	-
2.9	Other	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities	109,805	328,045
3.1	Cash Obtained from Funds Borrowed and Securities Issued	346,661	388,338
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(236,731)	(305,293)
3.3	Equity instruments issued	-	245,000
3.4	Dividends Paid	-	-
3.5	Payments for Finance Lease Liabilities	(125)	-
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	9,755	96,984
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)	89,644	17,471
VI.	Cash and Cash Equivalents at the Beginning of the Period	100,987	83,516
VII.	Cash and Cash Equivalents at the End of the Period (V+VI)	190,631	100,987

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

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**PASHA YATIRIM BANKASI A.Ş.
NOTES TO UNCONSOLIDATED STATEMENTS OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

VII. PROFIT DISTRIBUTION STATEMENT

		Current Period 31/12/2019 ¹	Prior Period 31/12/2018
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	CURRENT YEAR INCOME	32,969	(4,296)
1.2	TAXES AND DUTIES PAYABLE (-)	(7,278)	733
1.2.1	Corporate Tax (Income tax)	(10,808)	(9,547)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties ²	3,530	10,280
A.	NET INCOME FOR THE YEAR (1.1-1.2)	25,691	(3,563)
1.3	PRIOR YEAR LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	25,691	(3,563)
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and (Loss) Sharing Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and (Loss) Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES	-	-
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and (loss) sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE	-	-
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE	-	-
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	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.

²⁾ Deferred tax income/expense shown in other taxes and duties not subject to profit appropriation.

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

Accounting policies and valuation principles used in the preparation of the financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2018. Aforementioned accounting policies and valuation principles are explained in below.

Explanation for convenience translation into English:

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

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NOTES TO UNCONSOLIDATED STATEMENTS OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Bank does not have any embedded derivative instruments.

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

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

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

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

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

VI. EXPLANATIONS ON FINANCIAL ASSETS

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

Financial assets at fair value through profit or loss

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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.

Financial Assets Measured at Amortized Cost

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

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

Loans

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

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NOTES TO UNCONSOLIDATED STATEMENTS OF PROFIT DISTRIBUTION
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(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON EXPECTED CREDIT LOSS

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

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

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

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

The Bank has no discontinued operations.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

As of 31 December 2019 and 31 December 2018, there is no any goodwill amount that need to reflect to the financial statements.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any.

Depreciation is calculated over the cost of property with useful life of 50 years and other fixed asset with useful lives of three to ten years using the straight-line method.

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

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

Property and equipment are not subject to valuation such that fair value is presented in the financial statements. Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

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

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

XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

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

	31 December 2019	31 December 2018
Discount Rate (%)	3.80	6.42
Inflation Rate (%)	7.90	9.00

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

XVII. EXPLANATIONS ON TAXATION

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

Transfer Pricing

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

XVIII. EXPLANATIONS ON BORROWINGS

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

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

XIX. EXPLANATIONS ON ISSUANCE OF SHARES CERTIFICATES

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

The Bank has not issued any share certificates.

No dividend payments were announced after the balance sheet date.

XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

Avalized drafts and acceptances shown as liabilities against assets are included in the “Off-balance sheet commitments”.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

None.

XXII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXIII. EXPLANATIONS ON EARNINGS PER SHARE

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

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

XXIV. EXPLANATIONS ON RELATED PARTIES

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

XXV. EXPLANATIONS ON CASH AND CASH EQUIVALENTS

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

XXVI. EXPLANATIONS ON SEGMENT REPORTING

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

XXVII. RECLASSIFICATIONS

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

XXVIII. EXPLANATIONS ON OTHER MATTERS

None.

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SECTION FOUR

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

I. INFORMATION ABOUT SHAREHOLDERS’ EQUITY ITEMS

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

The current period equity amount of the Bank is TL 548,479 (31 December 2018 –TL 523,664) while its capital adequacy standard ratio is 32.00 % (31 December 2018 – 37.85%) as of 31 December 2019. The capital adequacy ratio of the Bank is far beyond the minimum rate determined by the related legislation.

a. Information on shareholders’ equity

	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Common Equity Tier 1 capital				
Directly issued qualifying common share capital plus related stock surplus	500,000	-	500,000	-
Share premium	-	-	-	-
Legal reserves	5,655	-	5,655	-
Projected gains to shareholders' equity of the accounting standards in Turkey	1,744	-	1,989	-
Profit	25,734	-	43	-
Net current period profit	25,691	-	(3,563)	-
Prior period profit	43	-	3,606	-
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	-	-	-	-
Common Equity Tier 1 capital before regulatory adjustments	533,133	-	507,687	-
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	-	-	-	-
Sum of current year net loss and prior period's loss that is not covered with reserves and losses on shareholders' equity of the accounting standards in Turkey	-	-	-	-
Development cost of operating lease	-	-	45	-
Goodwill (net of related tax liability)	-	-	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	6,077	-	1,274	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Cash-flow hedge reserve	-	-	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Securitisation gain on sale	-	-	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-	-	-
Reciprocal cross-holdings in common equity	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding the 15% threshold	-	-	-	-
of which: significant investments in the common stock of financials	-	-	-	-
of which: mortgage servicing rights	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments	-	-	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments to Common equity Tier 1	6,077	-	1,319	-
Common Equity Tier 1 capital (CET 1)	527,056	-	506,368	-

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Additional Tier 1 capital: instruments				
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	-	-	-	-
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards	-	-	-	-
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out	-	-	-	-
Additional Tier 1 capital before regulatory adjustments	-	-	-	-
Additional Tier 1 capital: regulatory adjustments				
Investments in own Additional Tier 1 instruments	-	-	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
National specific regulatory adjustments	-	-	-	-
The process of transition will continue to reduce from Tier 1 Capital				
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	-	-	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions(-)	-	-	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-	-	-
Additional Tier 1 capital (AT1)	-	-	-	-
Tier 1 capital (T1 = CET1 + AT1)	527,056	-	506,368	-
Tier 2 capital: instruments and provisions				
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Provisions	21,423	-	17,296	-
Tier 2 capital before regulatory adjustments	21,423	-	17,296	-
Tier 2 capital: regulatory adjustments				
Investments in own Tier 2 instruments (-)	-	-	-	-
Reciprocal cross-holdings in Tier 2 instruments	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
National specific regulatory adjustments (-)	-	-	-	-
Total regulatory adjustments to Tier 2 capital	-	-	-	-
Tier 2 capital (T2)	21,423	-	17,296	-
Total capital (TC = T1 + T2)	548,479	-	523,664	-
Total risk weighted assets				
Loans extended being non-compliant with articles 50 and 51 of the Law	-	-	-	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition(-)	-	-	-	-
National specific regulatory adjustments	-	-	-	-
The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital				
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%	-	-	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-	-	-

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

	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Shareholders' Equity				
Total shareholders' equity	548,479	-	523,664	-
Total risk weighted items	1,713,856	-	1,383,657	-
CAPITAL ADEQUACY RATIOS				
Core Capital Adequacy Ratio (%)	30.75	-	36.60	-
Tier 1 Capital Adequacy Ratio (%)	30.75	-	36.60	-
Capital Adequacy Standard Ratio (%)	32.00	-	37.85	-
BUFFERS				
Total additional core capital requirement ratio (a+b+c)	2,505	-	2,142	-
a) Capital conservation buffer requirement (%)	2,500	-	1,875	-
b) Bank specific countercyclical buffer requirement (%)	0.005	-	0.267	-
c) Higher bank buffer requirement ratio (%)	-	-	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	22.75	-	27.74	-
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financials	-	-	-	-
Significant investments in the common stock of financials	-	-	-	-
Mortgage servicing rights (net of related tax liability)	-	-	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-	-
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	34,015	-	17,296	-
Cap on inclusion of provisions in Tier 2 under standardised approach	21,423	-	17,296	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Current cap on common equity T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from common equity T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-
Current cap on additional T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from additional T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-

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

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

None (31 December 2018 - None).

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

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

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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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. Ratings are calculated by using models specifically developed for this purpose.

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

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

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

- g.** The Bank does not have any credit transaction abroad.
- h.** The Bank, as an active participant in the national and international banking market, compared to the financial activities of other financial institutions, is not exposed to high volumes of credit risk.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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- 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 2018: 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 2018: 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 2018: 100% and 100%).

- j. The expected credit losses for the credit risk is TL 34,015 (31 December 2018 - TL 16,483).
- k. The total amount of risk the Bank is exposed to, without taking into account the mitigation effects, and average of the risks grouped based on different risk classes and types are shown in the table below:

	31 December 2019		31 December 2018	
	Current Period Risk Amount ¹	Average Risk Amount ²	Prior Period Risk Amount ¹	Average Risk Amount ²
Risk Classifications				
Conditional and unconditional receivables from Central Governments or Central Banks	162,261	127,578	89,301	98,986
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	359,931	297,004	249,918	176,516
Conditional and unconditional corporate receivables	1,181,437	1,088,949	1,051,300	981,045
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	32,514	13,749	12,588	21,666
Non-performing receivables	1,351	1,019	-	-
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	42,350	86,280	48,186	142,281
Investments in nature of Collective Investment funds	-	-	-	-
Equity security investments	-	-	-	-
Other receivables	263,586	257,993	256,421	182,896
Total	2,043,430	1,872,572	1,707,714	1,603,390

¹⁾ The figures represent total risk amounts before Credit Risk Mitigation and after credit conversion factor.

²⁾ Average risk amounts are calculated as arithmetical average of monthly amounts of relevant year.

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

11. Profile of significant exposures in significant regions

Current Period	Risk Classifications ¹																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	162,261	-	-	-	-	329,213	885,670	-	32,514	1,351	-	-	-	40,127	-	-	263,586	1,714,722
European Union Countries	-	-	-	-	-	-	89,762	-	-	-	-	-	-	481	-	-	-	90,243
OECD Countries ²	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	824	-	-	-	824
Other Countries	-	-	-	-	-	30,718	206,005	-	-	-	-	-	-	918	-	-	-	237,641
Associates, Subsidiaries and Joint – Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ³	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	162,261	-	-	-	-	359,931	1,181,437	-	32,514	1,351	-	-	-	42,350	-	-	263,586	2,043,430

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
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

2) Includes OECD countries other than EU countries, USA and Canada.

3) Includes assets and liability items that cannot be allocated on a consistent basis.

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

Prior Period	Risk Classifications ¹																	
	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 ²	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 ³	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

2) Includes OECD countries other than EU countries, USA and Canada.

3) Includes assets and liability items that cannot be allocated on a consistent basis.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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m. 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 ²
Conditional and unconditional receivables from Central Governments or Central Banks	126,731	1,116	29,917	-	4,497
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	156,033	50,921	44,538	22,814	85,625
Conditional and unconditional corporate receivables	148,377	92,488	222,826	258,368	459,378
Conditional and unconditional retail receivables	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	824	1,509	751	8,478	20,952
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	42,350	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-
Equity security investments	-	-	-	-	-
Other receivables	9,398	-	-	-	254,188
Total¹	483,713	146,034	298,032	289,660	824,640

1) Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

2) 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 ²
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
Total¹	419,591	232,928	105,117	250,819	699,259

1) Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

2) Includes also undistributed amounts.

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

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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p. Risk amounts according to risk weights⁰

Risk Weights (Current Period)	0%	20%	50%	100%	150%	1250%	Deductions from Equity
Amounts before Credit Risk Mitigation	295,017	45,083	254,988	1,448,217	125	-	-
Amounts after Credit Risk Mitigation	295,017	45,083	254,988	1,448,217	125	-	-

Risk Weights (Prior 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	-	-	-

r. Miscellaneous Information by major sectors and type of counterparties

In accordance with TFRS 9;

Impaired loans; By the end of the reporting period, not more than 90 days overdue or impaired due to credibility. For such loans, "Specific Provisions" are calculated within the scope of TFRS 9 Financial Assets.

Overdue Loans; By the end of the reporting period up to 90 days due but not impaired loans. For such loans, "Stage 1 and Stage 2" expected credit losses are calculated within the scope of Provision Regulation.

	Current Period			Prior Period		
	Loans¹		Provisions	Loans¹		Provisions
	Impaired Loans (TFRS 9)	Non-Performing Loans (Stage 3)		Impaired Loans (TFRS 9)	Non-Performing Loans (Stage 3)	
	Significant increase in credit risk (Stage 2)		Expected Credit Losses (TFRS 9)²	Significant increase in credit risk (Stage 2)		Expected Credit Losses (TFRS 9)²
Agriculture	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-
Forestry	-	-	-	-	-	-
Fishery	-	-	-	-	-	-
Manufacturing	33,228	3,292	10,719	4,730	-	7
Mining and Quarrying	32,674	-	7,416	-	-	-
Production	554	3,292	3,303	4,730	-	7
Electricity, Gas and Water	-	-	-	-	-	-
Construction	10,845	13,832	18,714	9,307	2,663	4,300
Services	51,845	18,330	10,931	72,023	-	4,819
Wholesale and Retail Trade	1,440	-	-	10,874	-	-
Accommodation and Dining	-	-	-	-	-	-
Transportation and Telecom	49,545	18,330	10,931	35,956	-	4,812
Financial Institutions	-	-	-	22,413	-	7
Real Estate and Rental Services	860	-	-	2,780	-	-
Professional Services	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	95,918	35,454	40,364	86,060	2,663	9,126

1) Cash Loans

2) Expected Credit Losses for cash loans

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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s. Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific provisions (Stage 3)	6,033	19,630	(3,370)	(14)	22,279
General provisions (Stage 1&2)	16,485	19,360	(1,830)	-	34,015

Prior Period	Opening Balance – Before TFRS9	Recalculations	Opening Balance – After TFRS9	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific provisions (Stage 3)	-	-	-	6,033	-	-	6,033
General provisions (Stage 1 & 2)	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	Banking book for private sector lending	RWAs of trading book	Total
Turkey	1,260,967	-	1,260,967
Montenegro	202,650	-	202,650
Ireland	89,762	-	89,762
Azerbaijan	34,240	-	34,240
Georgia	628	-	628
United States of America	582	-	582
Others	186	-	186
Total	1,589,015	-	1,589,015

Prior Period	Banking book for private sector lending	RWAs of trading book	Total
Turkey	1,018,024	-	1,018,024
Ireland	79,917	-	79,917
Georgia	37,084	-	37,084
Azerbaijan	26,927	-	26,927
Russia	20,000	-	20,000
Cyprus	3,997	-	3,997
Total	1,185,949	-	1,185,949

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

III. EXPLANATIONS ON CURRENCY RISK

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

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

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

(Full TL)	USD	EUR
Foreign exchange rates as of 31 December 2019	5.9400	6.6621
1. Bid rate	5.9402	6.6506
2. Bid rate	5.9370	6.6117
3. Bid rate	5.9302	6.5759
4. Bid rate	5.9293	6.5755
5. Bid rate	5.9364	6.5773
Arithmetic average – 31 days	5.7009	6.4925
Foreign exchange rates as of 31 December 2018	5.8421	6.0422

Foreign Exchange Sensitivity Analysis

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

Change in Currency Rate		Effect on Profit and Loss		Effect on Equity	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
USD	10% decrease	(2,547)	(543)	(2,547)	(543)
USD	10% increase	2,547	543	2,547	543
EUR	10% decrease	(11)	(14)	(11)	(14)
EUR	10% increase	11	14	11	14

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Current Period	EURO	USD	Other FC	Total
Assets				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	26	123,013	-	123,039
Due from Banks	610	38,509	34	39,153
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans ⁽¹⁾	343,086	500,939	-	844,025
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets at fair value through profit or loss	-	79,975	-	79,975
Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	-	-	-	-
Total Assets	343,722	742,436	34	1,086,192
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed From Other Financial Institutions	322,023	275,434	-	597,457
Marketable Securities Issued	21,365	446,784	-	468,149
Miscellaneous Payables ⁽³⁾	2	1,837	-	1,839
Derivative Financial Liabilities ⁽⁴⁾	-	-	-	-
Other Liabilities ⁽²⁾	219	4,649	3	4,871
Total Liabilities	343,609	728,704	3	1,072,316
Net On-balance Sheet Position	113	13,732	31	13,876
Net Off-balance Sheet Position	-	11,737	-	11,737
Derivative Financial Assets	-	11,737	-	11,737
Derivative Financial Liabilities	-	-	-	-
Non-Cash Loans	66,341	88,584	-	154,925
31 December 2018				
Total Assets	155,163	504,572	9	659,744
Total Liabilities	155,019	545,444	-	700,463
Net On-balance Sheet Position	144	(40,872)	9	(40,719)
Net Off-balance Sheet Position	-	46,298	-	46,298
Derivative Financial Assets	-	47,882	-	47,882
Derivative Financial Liabilities	-	1,584	-	1,584
Non-Cash Loans	83,873	78,183	6,574	168,630

⁽¹⁾ Foreign currency indexed loans amounting to TL 18,561 (31 December 2018 – TL 36,384), receivables from leasing transaction amounting to TL 25,594 (31 December 2018 – None) and foreign currency expected credit losses amounting to TL 3,419 (31 December 2018 - None) are included.

⁽²⁾ Borrowers’ funds amounting to TL 4,868 (31 December 2018 – TL 9,236) are included.

⁽³⁾ Presented in other liabilities at financial statements.

⁽⁴⁾ Excludes derivative financial assets amounting to TL 132.

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

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

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

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

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

31 December 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non- Interest Bearing⁽¹⁾	Total
Assets							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the CB of Turkey	123,007	-	-	-	-	3,614	126,621
Due from Banks	38,050	-	-	-	-	1,806	39,856
Financial Assets at Fair Value Through Profit/Loss	-	132	-	-	-	-	132
Money Market Placements	147,045	-	-	-	-	-	147,045
Financial assets at fair value through other comprehensive income	2,506	2,039	123	4,497	-	7,659	16,824
Loans ⁽²⁾	173,897	205,992	454,803	252,653	5,704	(47,989)	1,045,060
Financial assets measured at amortised cost	529	589	30,262	48,595	-	(666)	79,309
Other Assets	-	-	-	-	-	270,656	270,656
Total Assets	485,034	208,752	485,188	305,745	5,704	235,080	1,725,503
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	6,192	-	-	-	-	-	6,192
Miscellaneous Payables ⁽⁵⁾	-	-	1,821	-	-	2,132	3,953
Marketable Securities Issued	1,107	8,038	-	466,819	-	-	475,964
Funds Borrowed From Other Financial Institutions	374,010	128,633	163,999	-	-	13	666,655
Other Liabilities ^{(3),(4)}	10,592	13	52	76	-	562,006	572,739
Total Liabilities	391,901	136,684	165,872	466,895	-	564,151	1,725,503
Balance Sheet Long Position	93,133	72,068	319,316	-	5,704	-	490,221
Balance Sheet Short Position	-	-	-	(161,150)	-	(329,071)	(490,221)
Off-balance Sheet Long Position	-	11,737	-	-	-	-	11,737
Off-balance Sheet Short Position	-	(11,856)	-	-	-	-	(11,856)
Total Position	93,133	71,949	319,316	(161,150)	5,704	(329,071)	(119)

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

(2) Finance lease receivables are included.

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

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

(5) Presented in other liabilities at financial statements.

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

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

(2) Finance lease receivables are included.

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

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

b. Average interest rates for monetary financial instruments

31 December 2019	EUR %	USD %	JPY %	TRY %
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	0.59	-	6.57
Due From Banks	0.01	1.67	-	14.47
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	12.95
Financial assets at fair value through other comprehensive income	-	-	-	16.79
Loans	4.69	6.63	-	18.05
Financial assets measured at amortised cost	-	8.05	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	0.50	1.65	-	10.80
Miscellaneous Payables ⁽¹⁾	-	1.93	-	11.69
Marketable Securities Issued	1.34	3.58	-	12.96
Funds Borrowed From Other Financial Institutions	1.14	3.76	-	11.94

(1) Includes borrowers' funds.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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	EUR %	USD %	JPY %	TRY %
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 ⁽¹⁾	-	2.02	-	10.99
Marketable Securities Issued	-	3.90	-	30.08
Funds Borrowed From Other Financial Institutions	0.27	2.63	-	25.84

⁽¹⁾ Includes borrowers' funds.

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

Current Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TRY	(+) 500 basis point	(7,007)	(1.28%)
TRY	(-) 400 basis point	6,247	1.14%
USD	(+) 200 basis point	12,934	2.36%
USD	(-) 200 basis point	(13,873)	(2.53%)
EUR	(+) 200 basis point	(7,704)	(1.40%)
EUR	(-) 200 basis point	-	-
TOTAL (for negative shocks)		(7,626)	(1.39%)
TOTAL (for positive shocks)		(1,777)	(0.32%)

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

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

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

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

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

VI. EXPLANATIONS ON LIQUIDTY RISK and LIQUIDITY COVERAGE RATIO

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

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

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

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

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

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

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

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

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

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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c. Information on funding strategy of the Bank including policies related to diversity of funding sources and periods

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

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

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

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

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

e. Information on liquidity risk reduction techniques

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

f. Disclosure regarding use of stress test

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

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

g. Information related to emergency and unexpected situation plan for liquidity

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

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h. Liquidity Coverage Ratio

The liquidity coverage ratio is calculated by proportioning the high quality liquid assets owned by the bank to net cash outflow in a one month maturity. Significant balance sheet items that determine the ratio can be listed as required reserves at the CBRT, securities that not subject to repo/collateral, foreign funds and receivables from banks. As of the balance sheet period, 66% of the high quality liquid assets of LKO subject bank accounts with the Central Bank, and 34% of the issued securities is composed by the Treasury of Republic of Turkey. The main funding sources of the Bank are loans received, debts due to money markets and securities issued. As of the balance sheet date, 56% of the Bank’s funds consist of loans received and 40% consists of securities issued. There may be fluctuations in the liquidity coverage ratio in the weeks when the share of funds originated from banks within fund sources increases or when medium/long term foreign funds, which are renewed when due, enter the one-month maturity.

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

Current Period 31 December 2019 ⁽²⁾	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	LC+FC	FC	LC+FC	FC
High-quality Liquidity Assets (HLA)				
1 High-quality Liquidity Assets			189,895	144,589
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	203,997	134,536	203,997	134,536
6 Operational assets	-	-	-	-
7 Non –operating assets	-	-	-	-
8 Other Junior debt	203,997	134,536	203,997	134,536
9 Secured Debts	-	-	-	-
10 Other Cash Outflows	111,597	36,770	57,203	21,582
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	111,597	36,770	57,203	21,582
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	111,597	36,770	57,203	21,582
16 TOTAL CASH OUTFLOWS			261,200	156,118
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	138,518	78,892	91,487	60,699
19 Other cash inflows	-	-	-	-
20 TOTAL CASH INFLOWS	138,518	78,892	91,487	60,699
21 TOTAL HLA STOCK			189,895	144,589
22 TOTAL NET CASH OUTFLOWS ⁽¹⁾			169,713	95,419
23 LIQUIDITY COVERAGE RATION (%)			111.89%	151.53%

⁽¹⁾ The part of total cash inflows which exceeds 75% of total cash outflows is not being taken into account during the calculation of related amounts.

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

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

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

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

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

31 December 2019	Maximum	Week	Minimum	Week	Average
LC+FC	230.87	15.11.2019	61.0	27.12.2019	111.89
31 December 2018	Maximum	Week	Minimum	Week	Average
LC+FC	315.64	28.12.2018	134.85	23.11.2018	269.80

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

31 December 2019	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC+LC	FC	FC+LC
Average (%)	517	476	274	271
Maximum (%)	1,895	1,767	860	663
Minimum (%)	100	192	87	126
31 December 2018	FC	FC+LC	FC	FC+LC
Maximum (%)	3,493	2,544	1,284	865
Minimum (%)	176	204	166	194

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

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

31 December 2019	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified¹	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	3,724	123,007	-	-	-	-	(110)	126,621
Due From Banks	1,860	38,050	-	-	-	-	(54)	39,856
Financial Assets at Fair Value Through Profit/Loss	-	-	132	-	-	-	-	132
Interbank Money Market Placements	-	147,045	-	-	-	-	-	147,045
Financial assets at fair value through other comprehensive income	7,659	15	2,039	123	4,497	2,491	-	16,824
Loans ⁽²⁾	-	151,149	102,244	419,187	377,640	42,829	(47,989)	1,045,060
Financial assets measured at amortized cost	-	529	589	30,262	48,595	-	(666)	79,309
Other Assets	-	9,398	993	-	-	-	260,265	270,656
Total Assets	13,243	469,193	105,997	449,572	430,732	45,320	211,446	1,725,503
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	13	374,010	128,633	163,999	-	-	-	666,655
Funds Borrowed From Money Markets	-	6,192	-	-	-	-	-	6,192
Marketable Securities Issued	-	1,107	8,038	-	466,819	-	-	475,964
Miscellaneous Payables ⁽⁵⁾	-	2,132	-	1,821	-	-	-	3,953
Other Liabilities ^{(3),(4)}	4,385	23,684	3,211	52	76	-	541,331	572,739
Total Liabilities	4,398	407,125	139,882	165,872	466,895	-	541,331	1,725,503
Liquidity Gap	8,845	62,068	(33,885)	283,700	(36,163)	45,320	(329,885)	-
Net Off-Balance Sheet Liquidity Gap	-	-	(119)	-	-	-	-	(119)
Financial Derivative Assets ⁽⁶⁾	-	-	11,737	-	-	-	-	11,737
Financial Derivative Liabilities ⁽⁶⁾	-	-	(11,856)	-	-	-	-	(11,856)
Non-cash Loans	-	-	42,084	140,049	57,036	-	117,220	356,389

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

⁽²⁾ Finance lease receivables are included.

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

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

⁽⁵⁾ Presented in other liabilities at financial statements.

⁽⁶⁾ Includes asset purchase and sale commitments

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

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

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

⁽²⁾ Finance lease receivables are included.

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

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

⁽⁵⁾ Presented in other liabilities at financial statements.

⁽⁶⁾ Includes asset purchase and sale commitments

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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j. 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	Total
Deposits	-	-	-	-	-	-
Funds borrowed from other financial inst.	374,413	129,382	166,262	-	-	670,057
Funds from interbank money market	6,194	-	-	-	-	6,194
Financial leasing payables	7	16	64	106	-	193
Marketable securities issued	1,460	10,524	12,252	491,919	-	516,155
Current accounts of customers	14,972	-	-	-	-	14,972
Total	397,046	139,922	178,578	492,025	-	1,207,571

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-
Funds borrowed from other financial inst.	106,438	184,821	172,195	-	-	463,454
Funds from interbank money market	-	-	-	-	-	-
Financial leasing payables	-	-	-	-	-	-
Marketable securities issued	30,225	27,290	7,723	290,075	-	355,313
Current accounts of customers	14,883	539	-	-	-	15,422
Total	151,546	212,650	179,918	290,075	-	834,189

k. Breakdown of derivative instruments according to their remaining contractual maturities

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Forward Transactions-Buy	-	11,737	-	-	-	11,737
Forward Transactions-Sell	-	11,856	-	-	-	11,856
Swap Transactions-Buy	-	-	-	-	-	-
Swap Transactions-Sell	-	-	-	-	-	-
Futures Transactions-Buy	-	-	-	-	-	-
Futures Transactions-Sell	-	-	-	-	-	-
Options-Buy	-	-	-	-	-	-
Options-Sell	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	-	23,593	-	-	-	23,593

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Forward Transactions-Buy	22,220	27,396	-	-	-	49,616
Forward Transactions-Sell	21,295	27,735	-	-	-	49,030
Swap Transactions-Buy	-	-	-	-	-	-
Swap Transactions-Sell	-	-	-	-	-	-
Futures Transactions-Buy	-	-	-	-	-	-
Futures Transactions-Sell	-	-	-	-	-	-
Options-Buy	-	-	-	-	-	-
Options-Sell	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	43,515	55,131	-	-	-	98,646

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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VII. EXPLANATIONS ON LEVERAGE RATIO

Unconsolidated leverage ratio was realized as 26.5% (31 December 2018 - 28.3%). 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 ⁽¹⁾	Prior Period ⁽¹⁾
Asset On The Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	1,644,939	1,395,261
(Assets deducted from core capital)	(2,819)	(1,264)
Total risk amount for assets on the balance sheet	1,642,120	1,393,997
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	47	3,288
Potential credit risk amount of derivative financial instruments and loan derivatives	341	1,547
Total risk amount of derivative financial instruments and loan derivatives	388	4,835
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	13,148	-
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	13,148	-
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	331,057	447,994
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	331,057	447,994
Capital and Total Risk		
Core capital	526,367	521,932
Total risk amount	1,986,713	1,846,826
Leverage Ratio		
Leverage ratio	26.5%	28.3%

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

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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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	Prior Period	Current Period
	31 December 2019	31 December 2018	31 December 2019
Credit risk (excluding counterparty credit risk) (CCR)	1,576,612	1,308,308	126,129
Of which standardised approach (SA)	1,576,612	1,308,308	126,129
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	8,302	1,489	664
Of which standardised approach for counterparty credit risk (SA-CCR)	8,302	1,489	664
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	26,276	5,713	2,102
Of which standardised approach (SA)	26,276	5,713	2,102
Of which internal model approaches (IMM)	-	-	-
Operational risk	102,666	68,147	8,213
Of which Basic Indicator Approach	102,666	68,147	8,213
Of which Standardised Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	1,713,856	1,383,657	137,108

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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c. Linkages between financial statements and regulatory exposures

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

Current Period	Carrying values as reported in published financial statements ¹	Carrying values of items in accordance with TAS				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitisation	Subject to market risk ²	
Assets						
Cash and cash equivalents	313,522	313,686	147,045	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	16,824	9,165	-	-	-	7,659
Derivative financial assets	132	-	132	-	132	-
Loans (Net)	1,012,695	1,060,535	-	-	-	-
Receivables from leasing transactions (Net)	32,365	32,514	-	-	-	-
Factoring receivables (Net)	-	-	-	-	-	-
Financial assets measured at amortised cost (Net)	79,309	71,865	8,110	-	-	-
Non-currents assets or disposal groups held for sale and from discontinued operations (Net)	-	-	-	-	-	-
Investments in associates (Net)	-	-	-	-	-	-
Investments in subsidiaries (Net)	-	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-	-
Tangible assets (Net)	90,238	90,238	-	-	-	-
Intangible assets and goodwill (Net)	6,077	-	-	-	-	6,077
Investment properties (Net)	145,599	145,599	-	-	-	-
Current tax assets	993	993	-	-	-	-
Deferred tax assets	15,628	15,628	-	-	-	-
Other assets (Net)	12,121	12,121	-	-	-	-
Total assets	1,725,503	1,752,344	155,287	-	132	13,736
Liabilities						
Deposits	-	-	-	-	-	-
Loans received	666,655	-	-	-	-	666,655
Money market funds	6,192	-	6,192	-	-	-
Marketable securities issued (Net)	475,964	-	-	-	-	475,964
Funds	14,971	-	-	-	-	14,971
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-
Factoring payables	-	-	-	-	-	-
Lease payables (Net)	147	-	-	-	-	147
PROVISIONS	10,388	-	-	-	-	10,388
Current tax liabilities	1,960	-	-	-	-	1,960
Deferred tax liabilities	-	-	-	-	-	-
Liabilities related to non-current assets held for sale and discontinued operations (Net)	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	17,616	-	-	-	-	17,616
Shareholders' equity	531,610	-	-	-	-	531,610
Total liabilities	1,725,503	-	6,192	-	-	1,719,311

1) Unconsolidated financial statements of Bank are stated.

2) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” are represented in “Subject to market risk framework” column.

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Prior Period	Carrying values of items in accordance with TAS					
	Carrying values as reported in published financial statements ¹	Subject to credit risk	Subject to counterparty credit risk	Subject to the securitisation	Subject to market risk ²	Not subject to capital requirements or subject to deduction from capital
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

1) Unconsolidated financial statements of Bank are stated.

2) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” are represented in “Subject to market risk framework” column.

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

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

	Current Period	Total	Subject to credit risk	Subject to securitization	Subject to counterparty credit risk	Subject to market risk ¹
1	Assets carrying value amount in accordance with TAS under scope of regulatory consolidation	1,907,763	1,752,344	-	155,287	132
2	Liabilities carrying value amount in accordance with TAS under regulatory scope of consolidation	6,192	-	-	6,192	-
3	Total net amount under regulatory scope of consolidation	1,901,571	1,752,344	-	149,095	132
4	Off-balance sheet amounts	356,406	282,592	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences due to BRSA’s applications		-	-	-	-
9	Differences due to risk reduction		-	-	-	-
	Risk amounts		2,034,936	-	149,095	132

1) The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks”, are represented in “Subject to market risk framework” column are presented.

	Prior Period	Total	Subject to credit risk	Subject to securitization	Subject to counterparty credit risk	Subject to market risk ¹
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		(366,657)	-	(3,546)	-
	Risk amounts		1,308,308	-	1,488	5,713

1) 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

i) Differences between amounts presented in financial statements in accordance with TAS and amounts accounted in accordance with regulatory consolidation

None.

ii) Differences between amounts in accordance with TAS and regulatory exposure amounts

On counterparty credit risk related transactions, the differences between the valued amounts in accordance with TAS in the scope statutory consolidation and the amounts after risk reduction arise from the addition of potential risk amounts per maturity and transaction type to renewal cost of derivative transactions related to counterparty credit risk.

The valued amounts of the items which are subject to market risk per TAS represent the fair value of trading financial instruments. Despite that, the amount at the risk amount line represents the amount which is subject market risk that derives from the calculation of capital requirements due to the loss on interest rate risk of market risk, share price risk, currency risk in the scope of “Regulation on Measurement and Evaluation of Banks Capital Adequacy Ratio”.

iii) Explanations related to the systems and controls which are defined to ensure prudence and reliability of valuation estimates in accordance with prudent valuation procedures and principles within the scope of appendix 3 of “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”

In case financial instruments that are accounted at their fair values are traded in an active market, the valuation is made based on market price. The accuracy of market price that is used at valuation is being confirmed periodically. The fair value of financial instruments that are not traded in an active market are being calculated in accordance TMS 39. Derivative financial instruments are valued by discounted cash flow model with the use of market data. For the valuation of certain financial instruments, third party valuations and generally accepted valuation models can be used. The accuracy and independence of inputs that are used at the valuation of market value and/or used at valuation methods by modelling are being controlled periodically. In addition, there are control processes for the comparison of the current market value of financial instruments with the recalculated values.

d. Explanations on Credit Risk

Credit risk management includes the definition of credit risks, their measurement and management.

Risk limits are defined by Board of Directors in such a manner that covers all possible important risk components, in accordance with the Bank’s operations and the size and complexity of products and services. 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.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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Risk rating models are utilised to discriminate borrowers in terms of their credibilities.

In the credit risk management process, Risk Management Unit conducts the activities of measurement of credit risk through models, monitoring and reporting. In addition to the risk limits regarding credit risk, several concentrations are analyzed in the credit portfolio.

The outputs of the risk rating models are an important part of credit allocation process as well as a tool to measure the probability of default of the customers and the portfolio.

The Bank utilises an effective risk management policy that truly classifies risks and customers in order to achieve its targets. Appropriate decision systems are in place for the correct evaluation of risks and the limit structure of the customers are determined.

To measure the credibility of the customers, analysis and intelligence studies are performed. The information from past, current and future financial and non-financial data are examined.

For a consistent evaluation, quantification and monitoring of risks; in order to make correct decisions during the processes of credit request by the customer, credit approval, collateralization, restructuring, monitoring and closing, all information and documents regarding the customer are collected in a shared database. Credit proposals are finalized by the evaluation of General Manager, Credit Committee or Board of Directors, depending on the limits. Credit risks are measured, monitored and reported by the Risk Management Unit.

d.1) CR1 – Credit quality of assets

	Current Period	Gross Carrying Amounts reported in Financial Statements in accordance with TAS		Allowances / amortization and impairment	Net Value
		Defaulted exposures	Non-defaulted exposures		
1	Loans and lease receivables	35,454	1,057,595	(47,989)	1,045,060
2	Debt securities	-	96,799	(666)	96,133
3	Off-balance sheet exposures	-	356,406	(7,387)	349,019
	Total	35,454	1,510,800	(56,042)	1,490,212

	Prior Period	Gross Carrying Amounts reported in Financial Statements in accordance with TAS		Allowances / amortization and impairment	Net Value
		Defaulted exposures	Non-defaulted exposures		
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
	Total	2,663	1,344,323	(22,438)	1,324,548

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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d.2) CR2 – Changes in stock of defaulted loans and debt securities

	Current period	Prior Period
1 Beginning Balance	2,663	-
2 Additions	33,485	2,663
3 Receivables that are not re-default	-	-
4 Write-offs	-	-
5 Other changes ¹	(694)	-
Ending Balance(1+2-3-4±5)	35,454	2,663

¹⁾ Includes collection from the non-performing loans.

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

Bank details calculate expected loss provisions within the scope of TFRS’9, as explained in the account policies and disclosures related to impairment of Financial assets and expected credit loss calculation. The Bank evaluates whether there is a significant increase in the credit risk of the Financial instrument within the scope of impairment since it was first included in the Financial statements. In making this assessment, it uses the change the expected default risk of the Financial instrument.

Loans that have overdue above 90-day in delay in the relevant month are included in the follow-up accounts and are subject to specific provisions.

Refinancing or restructuring; One or more loans extended by the Bank due to financial difficulties that the customer or group is expected to be present for future, is subject to a new loan that will cover the principal or interest payment completely or partially, or the conditions in existing loans are changed to ensure that the debt can be paid.

The breakdown of assets by geographic, sector and time to maturity is provided on Section Four, Note II.

Non-Performing loans and specific provision by geographic breakdown

	Current Period			Prior Period		
	NPL	Specific Provision	Write-offs	NPL	Specific Provision	Write-offs
Domestic	35,454	22,279	-	2,663	2,663	-
European countries	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-
OECD countries	-	-	-	-	-	-
Off-shore banking regions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	35,454	22,279	-	2,663	2,663	-

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Non-Performing loans and specific provision by sectoral breakdown

	Current Period			Prior Period		
	NPL	Specific Provision	Write-offs	NPL	Specific Provision	Write-offs
Agriculture	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-
Forestry	-	-	-	-	-	-
Fishery	-	-	-	-	-	-
Manufacturing	3,292	3,279	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-
Production	3,292	3,279	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-
Construction	13,832	13,461	-	2,663	2,663	-
Services	18,330	5,539	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-
Transportation and Telecom	18,330	5,539	-	-	-	-
Financial Institutions	-	-	-	-	-	-
Real Estate and Rental Services	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	35,454	22,279	-	2,663	2,663	-

Aging analysis of performing loans with overdue and non-performing loans

	Current Period	Prior Period
Up to 3 Months	1,351	-
3-12 Months	30,011	2,663
1-3 Years	5,443	-
3-5 Years	-	-
Over 5 Year	-	-
Total	36,805	2,663

Information on loans that have been restructured or rescheduled

	Current Period	Prior Period
Standard Loans that have been restructured or rescheduled	-	-
Loans Under Close Monitoring that have been restructured or rescheduled	43,519	17,963
Non-performing loans that have been restructured or rescheduled	32,162	-
Total	75,681	17,963

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d.4) CR3 – Explanations on Credit risk mitigation techniques

In order to ensure timely and complete fulfilment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The Bank discounts the collaterals by using some fixed ratios and calculates the expected cash equivalent of the collaterals in case they are transformed into cash. The difference between the credit and the cash equivalent of the collateral is defined as the net risk. In calculation of the net risk, the coefficients in the facility rating model are taken into account.

		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
	Current Period							
1	Loans and lease receivables	1,045,060	-	-	-	-	-	-
2	Debt securities	96,133	-	-	-	-	-	-
3	Total	1,141,193	-	-	-	-	-	-
4	Defaulted items	35,454	-	-	-	-	-	-

		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
	Prior Period							
1	Loans and lease receivables	840,278	-	-	-	-	-	-
2	Debt securities	68,528	-	-	-	-	-	-
3	Total	908,806	-	-	-	-	-	-
4	Defaulted items	2,663	-	-	-	-	-	-

d.5) Qualitative explanations using the rating grades to calculate the banks' credit risk by standard approach

In determining the risk weights regarding risk classes defined in Article 6 of “Regulation on Measurement and Assessment of Capital Adequacy of Banks”, country risk classification published by OECD (Organisation for Economic Cooperation and Development) is taken into account. According to capital adequacy regulations, the risk classification and risk weights of receivables from banks and intermediary institutions and receivables from corporates are determined in accordance with the regulations.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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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	
		On balance sheet amount ¹	Off balance sheet amount	On balance sheet amount ¹	Off balance sheet amount	RWA ¹	RWA Density
1	Receivables from Central Governments or Central Banks	162,261	-	162,261	-	29,917	18.44%
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	271,625	123,665	271,625	80,196	174,017	49.46%
7	Corporate receivables	979,058	232,724	979,058	202,379	1,066,789	90.30%
8	Retail receivables	-	-	-	-	-	0.00%
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	0.00%
10	Collateralized by trading mortgages receivables	32,514	-	32,514	-	16,257	50.00%
11	Non-performing receivables	1,351	-	1,351	-	1,351	100.00%
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	41,949	17	41,949	17	40,323	96.08%
15	Investments in nature of Collective Investment funds	-	-	-	-	-	0.00%
16	Equity security investments	263,586	-	263,586	-	247,958	94.07%
17	Other receivables	-	-	-	-	-	0.00%
	Total	1,752,344	356,406	1,752,344	282,592	1,576,612	77.48%

1) Credit risk amount resulting from counterparty risk is included.

	Prior 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	
		On balance sheet amount ¹	Off balance sheet amount	On balance sheet amount ¹	Off balance sheet amount	RWA ¹	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	63.00%
7	Corporate receivables	806,779	280,131	771,169	280,131	865,517	82.00%
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	50.00%
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	77.00%
15	Investments in nature of Collective Investment funds	-	-	-	-	-	0.00%
16	Equity security investments	256,421	-	256,421	-	244,250	95.00%
17	Other receivables	-	-	-	-	-	0.00%
	Total	1,388,654	398,484	1,309,230	398,484	1,309,797	77.00%

1) 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	Receivables from Central Governments or Central Banks	132,344	-	-	-	-	29,917	-	-	-	162,261
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	147,045	-	-	61,517	-	143,259	-	-	-	351,821
7	Corporate receivables	-	-	44,953	157,370	-	979,114	-	-	-	1,181,437
8	Retail receivables	-	-	-	-	-	-	-	-	-	-
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-	-
10	Collateralized by trading mortgages receivables	-	-	-	32,514	-	-	-	-	-	32,514
11	Non-performing receivables	-	-	-	-	-	1,351	-	-	-	1,351
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables and corporate receivables from Banks and Brokerage Corp.	-	-	130	3,203	-	38,508	125	-	-	41,966
15	Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-	-
16	Equity security investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	15,628	-	-	-	-	247,958	-	-	-	263,586
	Total	295,017	-	45,083	254,604	-	1,440,107	125	-	-	2,034,936

	Prior Period	0%	10%	20%	50% Guaranteed by mortgages	75%	100%	150%	200%	Others	Total credit risk amount (after CRM and CCF)
1	Receivables from Central Governments or Central Banks	89,301	-	-	-	-	-	-	-	-	89,301
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	50,000	-	-	86,806	-	113,112	-	-	-	249,918
7	Corporate receivables	-	-	106,891	200,540	-	743,869	-	-	-	1,051,300
8	Retail receivables	-	-	-	-	-	-	-	-	-	-
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-	-
10	Collateralized by trading mortgages receivables	-	-	-	12,588	-	-	-	-	-	12,588
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables and corporate receivables from Banks and Brokerage Corp.	-	-	10,103	5,765	-	32,318	-	-	-	48,186
15	Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-	-
16	Equity security investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	12,171	-	-	-	-	244,250	-	-	-	256,421
	Total	151,472	-	116,994	305,699	-	1,133,549	-	-	-	1,707,714

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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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.

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) CCR1 – 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)	142	117		1.40	384	130
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)					155,155	8,110
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						8,240

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	Prior 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

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

	Current Period		Prior Period	
	Risk amount (after credit risk mitigation techniques)	Risk weighted amounts	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	384	62	2,977	363
Total subject to the CVA capital charge	384	62	2,977	363

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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e.3) CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights:

Current Period Risk Classifications	Risk Weights								Total Credit Risk
	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	147,045	-	-	-	-	8,110	-	-	155,155
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	-	-	-	384	-	-	-	-	384
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	147,045	-	-	384	-	8,110	-	-	155,539

Prior Period Risk Classifications	Risk WeightsRisk Ağırkları								Total Credit Risk
	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

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e.4) CCR5 – Composition of collateral for CCR exposure

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash- local currency	-	-	-	-	-	-
Cash- foreign currency	-	-	-	-	-	-
Government bond/bill – local	-	-	-	-	147,045	-
Government bond/bill – other	-	-	-	-	-	-
Public institutions bond/bill	-	-	-	-	-	10,848
Corporate bond/bill	-	-	-	-	-	-
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	147,045	10,848

Prior Period	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.5) CCR6 – Credit derivatives

The Bank does not have credit derivatives.

e.6) 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 the "standard method". For legal reporting, standard method is utilised.

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The following table indicates the details of the market risk calculation, in accordance with the Market Risk Calculation principles pursuant to the Third Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 on 23 October 2015.

		Current Period RWA	Prior Period RWA
Outright products			
1	Interest rate risk (general and specific)	588	725
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	25,688	4,988
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
	Total	26,276	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 is used in the operational risk calculation of the Bank and calculated on a yearly basis.

Current Period	2 Prior Period Amount	Period Amount	Current Period Amount	Total/ Positive GI year number	Ratio (%)	Total
Gross Revenue	36,494	45,588	82,185	54,755.6	15	8,213.3
Amount Subject to Operational Risk (Total*12,5)						102,666

Current Period	2 Prior Period Amount	Period Amount	Current Period Amount	Total/ Positive GI year number	Ratio (%)	Total
Gross Revenue	26,953	36,494	45,588	36,345.0	15	5,451.8
Amount Subject to Operational Risk (Total*12,5)						68,147

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

Fair value calculations of financial assets and liabilities

The fair values of financial assets amortised at cost are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The fair value of marketable securities issued is calculated according to quoted market prices and if these are not available, amounts derived from discounted cash flow models.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial Assets	1,376,935	1,021,912	1,382,925	1,014,543
Interbank Money Market Placements	147,045	50,033	147,045	50,033
Banks	39,910	42,603	39,910	42,603
Financial assets at fair value through profit or loss	132	5,034	132	5,034
Financial assets at fair value through other comprehensive income	16,824	8,314	16,824	8,314
Loans	1,093,049	855,234	1,094,539	847,585
Financial assets measured at amortised cost	79,975	60,694	84,475	60,974
Financial Liabilities	1,167,735	802,027	1,172,903	804,646
Funds borrowed from other fin. Institutions	666,655	460,390	666,402	460,531
Payables to money market	6,192	-	6,192	-
Securities issued	475,964	318,492	481,385	320,970
Derivative Financial Liabilities	-	116	-	116
Miscellaneous Payables	3,953	29	3,953	29
Borrowers' Funds	14,971	23,000	14,971	23,000

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Fair value hierarchy:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows:

- a) Identical assets and quoted market prices (non-adjusted) (1st level);
- b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level);
- c) Data not based on observable market data regarding assets or liabilities (3rd level).

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	-	-	-
Derivative financial assets	-	132	-	132
Financial assets at fair value through other comprehensive income	16,824	-	-	16,824
Financial assets measured at amortised cost	84,475	-	-	84,475
Loans	-	-	1,094,539	1,094,539
Total Assets	101,299	132	1,094,539	1,195,970
Funds borrowed from other fin. Institutions	-	-	666,402	666,402
Money market borrowings	-	-	6,192	6,192
Securities issued	-	-	481,385	481,385
Derivative financial liabilities	-	-	-	-
Miscellaneous Payables	-	-	3,953	3,953
Borrowers' funds	-	-	14,971	14,971
Total liabilities	-	-	1,172,903	1,172,903

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	8,314	-	-	8,314
Financial assets measured at amortised cost	60,974	-	-	60,974
Loans	-	-	847,585	847,585
Total Assets	72,075	2,247	847,585	921,907
Funds borrowed from other fin. Institutions	-	-	460,531	460,531
Securities issued	-	-	320,970	320,970
Derivative financial liabilities	-	116	-	116
Miscellaneous Payables	-	-	29	29
Borrowers' funds	-	-	23,000	23,000
Total liabilities	-	116	804,530	804,646

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.

IX. EXPLANATIONS ON OPERATING SEGMENTS

Current Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	1,044,394	681,109	1,725,503
Total Liabilities	35,393	1,690,110	1,725,503
Net Interest Income/(Loss)	109,266	(12,206)	97,060
Net Fee and Commission Income/(Loss)	4,224	(207)	4,017
Trading Gain/(Loss)	-	(3,284)	(3,284)
Other Operating Segments Gain/(Loss)	5,195	562	5,757
Provisions for Loan Losses and Other Receivables(-)	(38,720)	(270)	(38,990)
Other Operating Expense (-)	-	(31,591)	(31,591)
Profit Before Tax	79,965	(46,996)	32,969
Tax Provision	(17,652)	10,374	(7,278)
Net Profit	62,313	(36,622)	25,691

Prior Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	837,615	511,950	1,349,565
Total Liabilities	23,000	1,326,565	1,349,565
Net Interest Income/(Loss)	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	(16,385)	17,118	733
Net Profit	79,645	(83,208)	(3,563)

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SECTION FIVE

**EXPLANATIONS AND NOTES RELATED TO
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I. EXPLANATIONS AND NOTES Related to Assets

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

a. Information on cash and the account of the CBRT

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Cash/Foreign currency	10	4	9	8
CBRT	3,682	123,035	8,527	76,567
Other	-	-	-	-
Total	3,692	123,039	8,536	76,575

b. Information on the account of the CBRT

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Demand Unrestricted Amount ⁽¹⁾	3,682	28	8,527	31
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount ⁽²⁾	-	123,007	-	76,536
Total	3,682	123,035	8,527	76,567

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

⁽²⁾ The blocked reserve requirement at Central Bank.

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

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

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

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

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b. Financial assets at fair value through profit or loss

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

c. Positive differences related to derivative financial assets

	30 December 2019		31 December 2018	
	LC	FC	LC	FC
Forward transactions	-	132	118	2,129
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	132	118	2,129

3. Information on banks

a. Information on banks

	30 December 2019		31 December 2018	
	LC	FC	LC	FC
Banks	757	39,153	10,103	32,500
Domestic	131	37,557	10,103	16,491
Foreign	626	1,596	-	16,009
Branches and offices abroad	-	-	-	-
Total	757	39,153	10,103	32,500

b. Information on foreign banks accounts

	Unrestricted Amount		Restricted Amount	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
European Union Countries	481	1,012	-	-
USA, Canada	824	6,680	-	-
OECD Countries ¹	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	917	8,317	-	-
Total	2,222	16,009	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

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(Continued)**

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

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

	30 December 2019		31 December 2018	
	LC	FC	LC	FC
Collateral / Blocked	7,126	-	4,423	-
Repurchase transaction	-	-	-	-
Total	7,126	-	4,423	-

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

	30 December 2019	31 December 2018
Debt Securities	9,165	8,314
Quoted on Stock Exchange	9,165	8,314
Not Quoted	-	-
Share Certificates	7,659	-
Quoted on Stock Exchange	-	-
Not Quoted	7,659	-
Impairment Provision (-)	-	-
Total	16,824	8,314

5. Information on loans

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

	30 December 2019		31 December 2018	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	26,610	-	22,983
Legal Entities	-	26,610	-	22,983
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
Total⁽¹⁾	-	26,610	-	22,983

⁽¹⁾ TL 595 (31 December 2018 - TL 804) cash loan was provided with a counter-guarantee of Parent Bank.

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**PASHA YATIRIM BANKASI A.Ş.
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

31 December 2019	Standard Loans	Loans Under Close Monitoring		
		Not under the scope of restructuring	Restructured Loans	
			Modifications on agreement conditions	Refinancing
Cash Loans ⁽¹⁾				
Non-specialized Loans	929,163	52,399	43,519	-
Loans given to enterprises	235,447	51,846	10,845	-
Export Loans	29,932	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	175,647	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	488,137	553	32,674	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	929,163	52,399	43,519	-

⁽¹⁾ TL 35,454 non-performing loans are not included.

31 December 2018	Standard Loans	Loans Under Close Monitoring		
		Not under the scope of restructuring	Restructured Loans	
			Modifications on agreement conditions	Refinancing
Cash Loans ⁽¹⁾				
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	-

⁽¹⁾ TL 2,663 non-performing loans are not included.

Expected Credit Loss	31 December 2019		31 December 2018	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	7,476	-	5,830	-
Significant Increase in Credit Risk	-	18,085	-	6,463
Total	7,476	18,085	5,830	6,463

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Number of modifications made to extend payment plan	31 December 2019		31 December 2018	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
Extended by 1 or 2 times	-	43,519	-	9,158
Extended by 3,4 or 5 times	-	-	-	8,805
Extended by more than 5 times	-	-	-	-
Total	-	43,519	-	17,963

Extended period of time	31 December 2019		31 December 2018	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
0 - 6 Months	-	-	-	9,158
6 - 12 Months	-	32,674	-	8,805
1 - 2 Years	-	-	-	-
2 - 5 Years	-	10,845	-	-
5 Years and over	-	-	-	-
Total	-	43,519	-	17,963

c. Breakdown of loans according to their maturities

31 December 2019	Standard Loans	Loans Under Close Monitoring	
		Not under the scope of restructuring	Restructured Loans
Short-Term Loans	384,388	1,110	-
Medium and Long-Term Loans	544,775	51,289	43,519
Total	929,163	52,399	43,519

31 December 2018	Standard Loans	Loans Under Close Monitoring	
		Not under the scope of restructuring	Restructured Loans
Short-Term Loans	321,687	-	41,274
Medium and Long-Term Loans	439,391	-	37,634
Total	761,078	-	78,908

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

None (31 December 2018 - None).

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e. Information on commercial instalment loans and corporate credit cards

31 December 2019	Short Term	Medium-Long Term	Total
Commercial instalment loans-LC	-	5,718	5,718
Business residential loans	-	-	-
Automobile loans	-	4,300	4,300
Consumer loans	-	1,418	1,418
Other	-	-	-
Commercial instalment loans- Indexed to FC	-	18,561	18,561
Business residential loans	-	-	-
Automobile loans	-	2,657	2,657
Consumer loans	-	15,904	15,904
Other	-	-	-
Commercial instalment 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	-	24,279	24,279

31 December 2018	Short Term	Medium-Long Term	Total
Commercial instalment 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 instalment 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 instalment 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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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
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f. Loans according to types of borrowers

	31 December 2019	31 December 2018
Public	-	-
Private	1,060,535	842,649
Total	1,060,535	842,649

g. Distribution of domestic and foreign loans

	31 December 2019	31 December 2018
Domestic Loans	764,172	630,819
Foreign Loans	296,363	211,830
Total	1,060,535	842,649

h. Loans granted to investments in associates and subsidiaries

None (31 December 2018 - None).

i. Specific provisions accounted for loans

	31 December 2019	31 December 2018
Loans with limited collectability	-	2,663
Loans with doubtful collectability	16,836	-
Uncollectible loans	5,443	-
Total	22,279	2,663

j. Information on non-performing loans

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

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Current Period			
Gross amounts before specific reserves	-	26,719	5,443
Loans under restructuring	-	26,719	5,443
Prior period			
Gross amounts before specific reserves	-	-	-
Loans under restructuring	-	-	-

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

31 December 2019	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior period end balance	2,663	-	-
Additions (+)	29,795	3,690	-
Transfers from other categories of loans under follow-up (+)	-	31,764	5,443
Transfers to other categories of loans under follow-up (-)	(31,764)	(5,443)	-
Collections (-)	(694)	-	-
Deducted from the record (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	-	30,011	5,443
Provision (-)	-	(16,836)	(5,443)
Net Balance on balance sheet	-	13,175	-

31 December 2018	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	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 (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	2,663	-	-
Provision (-)	(2,663)	-	-
Net Balance on balance sheet	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period			
Period end balance	-	11,316	-
Provision (-)	-	(3,419)	-
Net balance on balance sheet	-	7,897	-
Prior period			
Period end balance	-	-	-
Provision (-)	-	-	-
Net balance on balance sheet	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period (Net)	-	13,175	-
Loans granted to real persons and legal entities (Gross)	-	30,011	5,443
Provision (-)	-	(16,836)	(5,443)
Loans granted to real persons and legal entities (Net)	-	13,175	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans granted to real persons and legal entities (Gross)	2,663	-	-
Provision (-)	(2,663)	-	-
Loans granted to real persons and legal entities (Net)	-	-	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period (Net)	-	92	-
Interest accruals and rediscounts and valuation differences	-	1,498	-
Provision (-)	-	(1,406)	-
Prior Period (Net)	-	-	-
Interest accruals and rediscounts and valuation differences	-	-	-
Provision (-)	-	-	-

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

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals. Credits that have become losses in nature, are attached to the certificate of insolvency or insufficient collateral document, and written off from the Bank's assets. However, if the Bank's receivable is an insignificant amount compared to the costs and expenses to be incurred for the preparation of said documents, writing off of assets may be performed if the Board of Directors decides so.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
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6. Information on financial assets measured at amortized cost

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

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Collateral / Blocked	-	2,987	-	-
Repurchase transaction	-	8,110	-	-
Total	-	11,097	-	-

b. Information on government debt securities measured at amortized cost

	31 December 2019	31 December 2018
Government bonds	29,918	37,533
Treasury bills	-	-
Other public sector debt securities	-	-
Total	29,918	37,533

c. Information on financial assets measured at amortized cost

	31 December 2019	31 December 2018
Debt Securities	79,975	60,694
Quoted in a stock exchange	79,975	60,694
Not quoted	-	-
Impairment provisions (-) ⁽¹⁾	-	-
Total	79,975	60,694

⁽¹⁾ TL 666 (31 December 2018 – TL 480) expected credit losses included at line for expected credit losses on financial statements.

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

	31 December 2019	31 December 2018
Beginning balance	60,694	-
Foreign currency differences on monetary assets	9,428	(2,997)
Purchases during year ⁽¹⁾	21,835	63,691
Disposals through sales and redemptions	(11,982)	-
Impairment provisions (-)	-	-
Total	79,975	60,694

⁽¹⁾ Includes TL 714 of accrual differences between the periods

7. Information on investments in associates (Net)

a. Information on unconsolidated investments in associates

None (31 December 2018 - None).

b. Information on consolidated investments in associates

None (31 December 2018 - None).

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8. Information on subsidiaries (Net)

None (31 December 2018 - None).

9. Information on joint ventures

None (31 December 2018 - None).

10. Information on lease receivables (Net)

a. Information on lease receivables

	31 December 2019	31 December 2018
Financial lease receivables, Gross	35,142	15,134
Unearned income	(2,628)	(2,549)
Financial lease receivables, Net	32,514	12,585

b. Remaining maturities of financial lease investments

	31 December 2019		31 December 2018	
	Gross	Net	Gross	Net
Up to 1 Year	13,692	11,562	8,784	7,211
1 – 4 Years	21,450	20,952	6,350	5,374
Over 4 Years	-	-	-	-
Total	35,142	32,514	15,134	12,585

11. Information on hedging derivative financial assets

None (31 December 2018 - None).

12. Information on property and equipment

	Immovable / Land	Leased Fixed Assets	Vehicles	Other Tangible Fixed Assets	Total
Prior Period					
Cost	-	271	625	2,501	3,397
Accumulated Depreciation(-)	-	(271)	(21)	(730)	(1,022)
Net Book Value	-	-	604	1,771	2,375
Current Period					
Net Book Value : 1 January 2019	-	-	604	1,771	2,375
Additions	11,289	-	1,003	5,089	17,381
Transfers ⁽¹⁾	72,190	-	-	-	72,190
Disposals(-), net	-	-	-	-	-
Depreciation (-)	(632)	-	(192)	(884)	(1,708)
Impairment	-	-	-	-	-
Net Book Value: 31 December 2019	82,847	-	1,415	5,976	90,238
Cost at Period End	97,768	271	1,628	7,590	107,257
Accumulated Depreciation at Period End (-)	(14,921)	(271)	(213)	(1,614)	(17,019)
Net Book Value: 31 December 2019	82,847	-	1,415	5,976	90,238

⁽¹⁾ As of 31 December 2019, the Bank reclassified net TL 72,190 to its own used buildings and land from investment properties.

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	Immovable / Land	Leased Fixed Assets	Vehicles	Other Tangible Fixed Assets	Total
Prior Period					
Cost	-	271	-	1,162	1,433
Accumulated Depreciation(-)	-	(271)	-	(507)	(778)
Net Book Value	-	-	-	655	655
Current Period					
Net Book Value : 1 January 2018	-	-	-	655	655
Additions	-	-	625	1,340	1,965
Disposals(-), net	-	-	-	-	-
Depreciation (-)	-	-	(21)	(224)	(245)
Impairment	-	-	-	-	-
Net Book Value: 31 December 2018	-	-	604	1,771	2,375
Cost at Period End	-	271	625	2,501	3,397
Accumulated Depreciation at Period End (-)	-	(271)	(21)	(730)	(1,022)
Net Book Value: 31 December 2018	-	-	604	1,771	2,375

13. Information on intangible assets

	31 December 2019	31 December 2018
Net Book Value at the beginning of the Period	1,274	869
Additions	5,707	1,081
Disposals(-), net	-	-
Depreciation (-)	(904)	(676)
Closing Net Book Value	6,077	1,274

14. Information on investment property:

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

	31 December 2019	31 December 2018
Beginning balance, Net	218,333	-
Additions (+)	580	260,916
Disposals (-), net	-	-
Impairment (-) ⁽¹⁾	-	(42,173)
Depreciation (-)	(1,124)	(410)
Transfers ⁽²⁾	(72,190)	-
Transfer of the cost to buildings and land	(86,479)	-
Transfer of the accumulated depreciation to buildings	136	-
Transfer of the impairment to buildings and land	14,153	-
Current period end balance, Net⁽³⁾	145,599	218,333

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

⁽²⁾ As of 31 December 2019, the Bank reclassified net TL 72,190 to its own used buildings and land from investment properties.

⁽³⁾ As of December 2019, the fair value of investment property is TL 145 million.

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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 2019, the Bank calculated deferred tax asset amounting TL 15,628 and reflected this amount to the financial statements (31 December 2018 - 12,171 TL deferred tax asset).

	31 December 2019		31 December 2018	
	Temporary Differences of Deferred Tax Base	Deferred Tax Amount	Temporary Differences of Deferred Tax Base	Deferred Tax Amount
Provision for employee benefits	551	121	565	124
Expected credit losses	33,927	7,464	16,485	3,627
Other provisions	2,637	580	2,493	548
Tangible and intangible assets	31,321	6,891	37,020	8,144
Derivatives	-	-	-	-
Other	2,804	617	1,808	398
Deferred Tax Asset	71,240	15,673	58,371	12,841
Derivatives	(132)	(29)	(2,131)	(469)
Other	(73)	(16)	(915)	(201)
Deferred Tax Liability	(205)	(45)	(3,046)	(670)
Deferred Tax Asset/ (Liability), net	71,035	15,628	55,325	12,171

16. Information on assets held for resale and discontinued operations

None (31 December 2018 - None).

17. Information on other assets

As of 31 December 2019, other assets amount to TL 12,121 (31 December 2018- TL 23,554) and do not exceed 10% of total balance sheet except off balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. Information on deposits

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

2. Negative differences related to derivative financial liabilities

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Forward transactions	-	-	-	116
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Options transactions	-	-	-	-
Other	-	-	-	-
Total	-	-	-	116

3. Information on borrowings

a. Information on banks and other financial institutions

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Borrowings from the CBRT	-	-	-	-
From domestic banks and institutions	8	113,269	226	26,586
From foreign banks, institutions and funds	69,190	484,188	34,051	399,527
Total	69,198	597,457	34,277	426,113

b. Information on maturity structure of borrowings

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Short-term	69,198	188,249	34,277	426,113
Medium and long-term	-	409,208	-	-
Total	69,198	597,457	34,277	426,113

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

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

4. Money Market Funds

As of 31 December 2019, the Bank money market borrowings amounting to TL 6,192 (31 December 2018 – None) through repo transaction.

5. Securities Issued

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Nominal	7,900	466,819	54,940	264,050
Cost	7,748	466,819	52,001	264,050
Book Value	7,815	468,149	54,104	264,388

The Bank netted TL 17,766 (31 December 2018 – TL 700) nominal amount of debt securities that bought backed on its financial statements.

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6. Information on other liabilities

As of 31 December 2019, other liabilities amount to TL 17,616 (31 December 2018 - TL 26,655) and do not exceed 10% of total balance sheet.

7. Information on financial lease agreements

	31 December 2019		31 December 2018	
	Gross	Net	Gross	Net
Up to 1 Year	88	71	-	-
1 – 4 Years	97	68	-	-
Over 4 Years	8	8	-	-
Total	193	147	-	-

8. Information on hedging derivative financial liabilities

None (31 December 2018 - None).

9. Information on provisions

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

None (31 December 2018 - None).

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

As of 31 December 2019, the Bank has no specific provision (31 December 2018 – TL 3,370) and TL 7,387 (31 December 2018 – TL 3,539) provision for expected credit loss to the financial statements.

Expected Credit Loss for Non-Cash Loans	31 December 2019	31 December 2018
12 Months Expected Credit Loss	1,591	3,416
Significant Increase in Credit Risk	5,796	123
Total	7,387	3,539

c. Information on other provisions

i. Information on provisions for possible risks

None (31 December 2018 - None).

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

Other provisions amount of TL 2,450 (31 December 2018 - TL 2,356) is comprising of provisions for bonuses and ongoing lawsuits.

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iii. Obligations related to employee rights

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises.

The movement of employee termination benefits is shown below

	31 December 2019	31 December 2018
Balance at the Beginning of the Period	219	238
Provisions Recognised During the Period	(67)	(19)
Balance at the end of the period	152	219

In addition, as of 31 December 2019, the Bank have unused vacation provision of TL 399 (31 December 2018 - TL 346).

10. Information on taxes payable:

a. Information on current year tax liability

i. Information on tax provision

The Bank recognized TL 798 as current tax liability as of 31 December 2019 (31 December 2018 - TL 4,076).

ii. Information on taxes payable

	31 December 2019	31 December 2018
Corporate Tax Payable	798	4,076
Taxation on Marketable Securities	14	77
Property Tax	-	-
Banking Insurance Transaction Tax	484	586
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	72	71
Other	349	414
Total	1,717	5,224

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iii. Information on premium payables

	31 December 2019	31 December 2018
Social Security Premiums – Employee	104	87
Social Security Premiums – Employer	117	96
Bank Social Aid Pension Fund Premium- Employee	-	-
Bank Social Aid Pension Fund Premium – Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance – Employee	7	6
Unemployment Insurance – Employer	15	12
Other	-	-
Total	243	201

11. Information on deferred tax liability

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

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

None (31 December 2018 - 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 2018 - None).

14. Information on shareholders’ equity

a. Presentation of paid-in capital

	31 December 2019	31 December 2018
Common Stock	500,000	500,000
Preferred Stock	-	-

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

The Bank does not apply the registered share capital system.

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

None.

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

None.

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

None (31 December 2018 - None).

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f. Information on the Bank’s income, profitability, prior period indicators on liquidity and uncertainty on these indicators and their potential effects on the Bank’s capital

The Bank considers there is no uncertainty regarding the prior period income, profitability and liquidity indicators, therefore the Bank does not foresee an effect on capital.

g. Summary information about privileged shares representing the capital

None (31 December 2018 - None).

h. Information on marketable securities value increase fund

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
From investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-
Revaluation difference	221	-	(41)	-
Foreign exchange difference	-	-	-	-
Total	221	-	(41)	-

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III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet commitments

a. The amount and type of irrevocable commitments

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

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

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

As of 31 December 2019, the Bank has letter of guarantee TL 332,031 (31 December 2018 - TL 370,691), letter of credit TL 598 (31 December 2018 - None) and other guarantees TL 23,760 (31 December 2018 - TL 51,692).

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

As of 31 December 2019, the Bank has other guarantees amounting TL 23,760 (31 December 2018 - TL 51,692).

c. Total amount of non-cash loans

	31 December 2019	31 December 2018
Non-cash Loans Given against Cash Loans	208,759	263,803
With Original Maturity of 1 Year or Less Than 1 Year	67,309	227,578
With Original Maturity of More Than 1 Year	141,450	36,225
Other Non-cash Loans	147,630	158,850
Total	356,389	422,653

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

31 December 2019	I. Group		II. Group	
	LC	FC	LC	FC
Non-Cash Loans	184,951	125,225	16,513	29,700
Letters of Guarantee	184,951	100,867	16,513	29,700
Bank Acceptances	-	-	-	-
Letters of Credit	-	598	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	23,760	-	-

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

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

	31 December 2019				31 December 2018			
	LC	(%)	FC	(%)	LC	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	1,857	0.92	-	-	1,842	0.73	10,829	6.42
Mining	-	-	-	-	-	-	-	-
Production	1,817	0.90	-	-	1,817	0.72	10,829	6.42
Electric, Gas and Water	40	0.02	-	-	25	0.01	-	-
Construction	-	-	-	-	3,370	1.33	6,574	3.90
Services	199,590	99.07	154,925	100.00	248,811	97.94	151,227	89.68
Wholesale and Retail Trade	26,470	13.14	37,737	24.36	26,498	10.43	76,878	45.59
Hotel, Food and Beverage Services	83	0.04	-	-	1,516	0.60	-	-
Transportation and Telecommunication	4,000	1.99	43,618	28.15	4,505	1.77	39,282	23.29
Financial Institutions	168,719	83.74	60,246	38.89	215,671	84.90	22,983	13.63
Real Estate and Leasing Services	318	0.16	13,324	8.60	621	0.24	12,084	7.17
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	17	0.01	-	-	-	-	-	-
Total	201,464	100.00	154,925	100.00	254,023	100.00	168,630	100.00

2. Information on derivative transactions

	31 December 2019	31 December 2018
Trading Derivative Financial Instruments		
Foreign Currency Transactions (I)	23,593	98,646
Forward Foreign Currency Buy/Sell Transactions	23,593	98,646
Foreign Currency Swap-Buy-Sell Transactions	-	-
Futures Transactions	-	-
Options-Buy-Sell Transactions	-	-
Interest Rate Transactions (II)	-	-
Forward interest rate Buy-Sell	-	-
Interest Rate Swap-Buy-Sell	-	-
Interest Rate Options-Buy-Sell	-	-
Interest Rate Futures Buy-Sell	-	-
Other Trading Derivative Financial Instruments (III)	-	-
A. Total Trading Derivative Transactions (I+II+III)	23,593	98,646
Hedging Derivative Financial Instruments		
Transactions for Fair Value Hedge	-	-
Transactions for Cash Flow Hedge	-	-
Transactions for Foreign Net Investment Hedge	-	-
B. Total Hedging Derivative Financial Instruments	-	-
Total Derivatives (A+B)	23,593	98,646

3. Information on credit derivatives and related imposed risks

None (31 December 2018 - None).

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4. Information on Contingent Assets and Liabilities

As of 31 December 2019, the Bank has booked the provision for its ongoing lawsuits amounting TL 50 to the financial statements (31 December 2018 - TL 350). The process regarding the law suits is still ongoing and decisions will be finalized after trial.

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

The Bank, has been authorized to provide limited custody services. The investment securities held in custody is recorded on off-balance sheet.

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IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

1. Information on interest income

a. Information on interest income on loans ⁽¹⁾

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Short-term Loans	53,127	7,428	72,873	2,188
Medium/Long-term Loans	11,904	34,531	9,610	22,559
Interest on Loans Under Follow-up	1,984	198	248	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	67,015	42,157	82,731	24,747

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

b. Information on interest income on banks

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
From the CBRT ⁽¹⁾	348	1,218	1,690	-
From Domestic Banks	1,943	1,031	3,905	1,868
From Foreign Banks	112	482	1	321
Branches and Offices Abroad	-	-	-	-
Total	2,403	2,731	5,596	2,189

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

c. Information on interest income on marketable securities

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	1,766	-	2,184	71
Financial assets measured at amortized cost	-	6,405	-	1,551
Total	1,766	6,405	2,184	1,622

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

None (31 December 2018 - None).

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2. Information on interest expense

a. Information on interest expense⁽¹⁾

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Banks	8,489	12,764	6,044	12,291
The Central Bank of Turkey	-	-	-	-
Domestic Banks	116	71	894	52
Foreign Banks	8,373	12,693	5,150	12,239
Branches and offices abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	8,489	12,764	6,044	12,291

⁽¹⁾ Commission expense for borrowings are also included.

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

None (31 December 2018 - None).

c. Interest expense on issued marketable securities

	31 December 2019		31 December 2018	
	LC	FC	LC	FC
Interest expense on securities issued	5,253	15,307	13,180	8,461

d. Maturity structure of the interest expense on deposits

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

3. Information on dividend income

None (31 December 2018 - None).

4. Information on trading income/loss (Net)

	31 December 2019	31 December 2018
Income	508,705	688,388
Profit on trading account securities	128	551
Profit on derivative financial transactions ⁽¹⁾	33	3,593
Foreign exchange gains	508,544	684,244
Loss (-)	(511,989)	(689,397)
Losses on trading account securities	-	(19)
Losses on derivative financial transactions ⁽¹⁾	(5,314)	(1,290)
Foreign exchange losses	(506,675)	(688,088)
Net Trading Income/Loss	(3,284)	(1,009)

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

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5. Information on other operating income

TL 5,200 of reversal of prior year specific and expected credit loss provisions included on other operating income and there is no income regarding extraordinary accounts (31 December 2018 - TL 855).

6. Provision expenses related to loans and other receivables

	31 December 2019	31 December 2018
Expected Credit Loss⁽¹⁾	38,990	17,663
12 Month Expected Credit Loss (Stage 1)	2,065	4,919
Significant increase in credit risk (Stage 2)	17,295	6,711
Non-Performing Loans (Stage 3)	19,630	6,033
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	-	-
Total	38,990	17,713

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

7. Information related to other operating expenses:

	31 December 2019	31 December 2018
Reserve for employee termination benefits ⁽¹⁾	53	109
Bank social aid fund deficit provision	-	-
Fixed assets impairment expense	-	42,173
Depreciation expenses of fixed assets	2,832	655
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	904	676
Shares (capital method applied) impairment expense	-	-
Impairment expense for investment securities that will be disposed	-	-
Amortization expenses of investment securities that will be disposed	-	-
Impairment expenses for property and equipment held for sale purpose and terminated operations	-	-
Other operating expenses	6,949	8,362
Leasing expenses related to TFRS 16 exemptions	514	2,116
Maintenance expenses	670	276
Advertisement expenses	249	443
Other expenses	5,516	5,527
Loss on sales of assets	-	-
Other	4,843	3,384
Total	15,581	55,359

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

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

Profit before tax consists of net interest income/expense amounting to TL 97,060, net commission fee income amounting to TL 4,017, trading loss amounting to TL 3,284, other operating income amounting to TL 5,757, provision for loan losses and other receivables amounting to TL 38,990 and other operating expenses including personnel expenses amounting to TL 31,591.

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

As of 31 December 2019 the Bank has current tax expense TL 10,808 (31 December 2018 - TL 9,547) and the Bank has deferred tax income amounting to TL 4,158 and deferred tax expense amounting to TL 3,530 (31 December 2018 - TL 10,280, deferred tax expense).

As of 31 December 2019, the Bank doesn't have any discontinued operations.

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

The Bank doesn't have discontinued operations. The Bank's net profit from continuing operations amounting to TL 25,691 (31 December 2018 - TL 3,563 loss).

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 2018 - None).

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

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

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

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

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**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.

As of 31 December 2019, The Bank has booked TL 221 gain (31 December 2018 – TL 41 loss) for marketable securities valuation difference related to financial assets at fair value through other comprehensive income.

2. Amounts transferred to legal reserves

There is no amounts has been transferred to legal reserves. The loss of prior year amounting to TL 3,563 was transferred to retained earnings.

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 2019	31 December 2018
Cash	126,731	85,111
Cash and Foreign Currency Cash	14	17
Turkish Central Bank	126,717	85,094
Other	-	-
Cash Equivalents	186,955	92,636
Banks	39,910	42,603
Interbank Money Market Placements	147,045	50,033
Total Cash and Cash Equivalents	313,686	177,747
Blocked amounts on cash and cash equivalents	-	-
Interest income rediscounts on cash and cash equivalents	(48)	-
Cash equivalents with a maturity longer than three months	-	-
Restricted reserve deposits	(123,007)	(76,760)
Cash Flow Statements Cash and Cash Equivalents	190,631	100,987

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 12,790 (31 December 2018 - TL 15,528) 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 626 (31 December 2018 - TL 23,635) consists of mainly changes in prepaid expenses and other assets.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 1,769 (31 December 2018 – 66,360) consists of mainly changes in miscellaneous payables, borrower funds, other liabilities and taxes and other duties payable.

The effect of change in foreign exchange rate on cash and cash equivalents is approximately increase of TL 9,755 (31 December 2018 – TL 96,984 increase).

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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 STATEMENTS OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

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

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

a. Current Period

Bank’s Risk Group	Investments in Associates, subsidiaries, and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Beginning of the Period	-	-	-	22,983	-	69
End of the Period	-	-	-	26,610	202,650	33,718
Interest and Commission Income Received	-	-	-	237	2,904	4

Prior Period

Bank’s Risk Group	Investments in Associates, subsidiaries, and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Beginning of the Period	-	-	-	31,699	-	-
End of the Period	-	-	-	22,983	-	69
Interest and Commission Income Received	-	-	-	352	-	47

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

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

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

As of 31 December 2019, there are no derivative transactions with the Bank’s Risk Group (31 December 2018 - None). As of 31 December 2019, the Bank has TL 80 of borrowers’ funds from its risk group (31 December 2018 - TL 654). As of 31 December 2019, the Bank has borrowings and money market transaction from its risk group amounting to TL 68,526 (31 December 2018 - TL 34,745). Additionally, TL 430,655 of the securities issued abroad were purchased by the Bank’s risk group (31 December 2018 - TL 258,387).

d. Information on key management compensation

As of 31 December 2019, total benefits paid key management amounts to TL 5,553 (31 December 2018 - TL 4,397).

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

None (31 December 2018 - None).

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**PASHA YATIRIM BANKASI A.Ş.
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS RELATED TO OPERATIONS OF THE BANK

a. Explanations on ratings of the Bank

FITCH	December 2019
National Long Term (tur)	BBB+ Stable

II. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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 2019 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 31 January 2020 has been presented preceding the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

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