

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

## **PASHA YATIRIM BANKASI A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS TOGETHER WITH  
REVIEW REPORT AT 30 JUNE 2021**



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

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

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

### **Introduction**

We have reviewed the unconsolidated statement of financial position of PASHA Yatırım Bankası A.Ş. (“the Bank”) at June 30, 2021 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated of interim financial information in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency(“BRSA”) and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Financial Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by BRSA Legislation; together referred as “BRSA Accounting and Financial Reporting Legislation”. Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with the Standard on Review Engagements (ISRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the unconsolidated financial position of PASHA Yatırım Bankası A.Ş. at June 30, 2021 and the results of its operations and its unconsolidated cash flows for the six-month period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

### **Report on other regulatory requirements arising from legislation**

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Eight, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

### **Additional paragraph for convenience translation to English**

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

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



Emre Çelik, SMMM  
Partner

August 6, 2021  
İstanbul, Turkey



**THE SIX MONTH UNCONSOLIDATED FINANCIAL REPORT OF  
PASHA YATIRIM BANKASI A.Ş. AS OF 30 JUNE 2021**

Address of the Bank's Headquarters

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Telephone of the Bank

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

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

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

Jalal GASIMOV

Chairperson of  
Board of Directors

Furkan EVRANOS

Chairperson of  
Audit Committee

Kamala NURIYEVA

Member of  
Audit Committee

H. Cenk EYNEHAN

CEO

Benan Bilge KÖKSAL

Deputy CEO

Yeşim ÇAĞLAR

Financial Planning, Control and  
Strategy Department Director

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

Name-Surname/Title : Yeşim ÇAĞLAR / Director  
Telephone Number : (0212) 705 89 08  
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## INDEX

## PAGE

### SECTION ONE GENERAL INFORMATION

I.	Bank's foundation date, start-up statute, history about the changes in this mentioned statute.....	1
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 .....	2
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 .....	2
IV.	Explanation on shareholders having control shares .....	3
V.	Information on the Bank's service type and field of operations .....	3
VI.	Existing or potential, actual or legal obstacles on immediate equity transfer between the Bank and its subsidiaries or repayment of the debt .....	3

### SECTION TWO UNCONSOLIDATED FINANCIAL STATEMENTS

I.	Balance sheet .....	4
II.	Off-balance sheet .....	6
III.	Statement of income (Profit and loss).....	7
IV.	Statement of profit or loss and other comprehensive income .....	8
V.	Statement of changes in shareholders' equity .....	9
VI.	Statement of cash flow .....	10

### SECTION THREE EXPLANATIONS ON ACCOUNTING POLICIES

I.	Basis of presentation .....	11
II.	Explanations on strategy of using financial instruments and foreign currency transactions .....	12
III.	Explanations on forward transactions, options and derivative instruments .....	12
IV.	Explanations on interest income and expense .....	13
V.	Explanations on fee and commission income and expense .....	13
VI.	Explanations on financial assets.....	13
VII.	Explanations on expected credit loss .....	15
VIII.	Explanations on offsetting financial assets .....	18
IX.	Explanations on sales and repurchase agreements and securities lending transactions .....	18
X.	Explanations on assets held for resale and fixed assets from discontinued operations and liabilities related with these assets .....	18
XI.	Explanations on goodwill and other intangible assets .....	18
XII.	Explanations on property and equipment.....	19
XIII.	Explanations on investment properties.....	19
XIV.	Explanations on leasing transactions .....	20
XV.	Explanations on provisions and contingent commitments .....	20
XVI.	Explanations on obligations related to employee rights.....	20
XVII.	Explanations on taxation .....	21
XVIII.	Explanations on borrowings .....	22
XIX.	Explanations on issuance of share certificates .....	22
XX.	Explanations on avalized drafts and acceptances .....	22
XXI.	Explanations on government grants .....	22
XXII.	Explanations on profit reserves and profit distribution .....	22
XXIII.	Explanations on earnings per share .....	23
XXIV.	Explanations on related parties .....	23
XXV.	Explanations on cash and cash equivalents.....	23
XXVI.	Explanations on segment reporting .....	23
XXVII.	Reclassifications .....	23
XXVIII.	Explanations on other matters.....	23

**SECTION FOUR**

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

<b>I.</b>	Information about shareholders' equity items .....	24
<b>II.</b>	Explanations on currency risk .....	27
<b>III.</b>	Explanations on interest rate risk .....	29
<b>IV.</b>	Explanations on equity position risk .....	32
<b>V.</b>	Explanations on liquidity risk and liquidity coverage ratio .....	32
<b>VI.</b>	Explanations on leverage ratio .....	39
<b>VII.</b>	Explanations on the risk management .....	40
<b>VIII.</b>	Explanations on the presentation of financial assets and liabilities at their fair values .....	53
<b>IX.</b>	Explanations on the activities carried out on behalf of and account of other persons .....	55
<b>X.</b>	Explanations on operating segments .....	55

**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**

<b>I.</b>	Explanations and notes related to assets .....	56
<b>II.</b>	Explanations and notes related to liabilities .....	69
<b>III.</b>	Explanations and notes related to off-balance sheet accounts .....	74
<b>IV.</b>	Explanations and notes related to income statement .....	77
<b>V.</b>	Explanations and notes related to statement of changes in the shareholders' equity .....	81
<b>VI.</b>	Explanations and notes related to statement of cash flows .....	82
<b>VII.</b>	Explanations and notes related to Bank's risk group .....	83
<b>VIII.</b>	Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the bank .....	84

**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

<b>I.</b>	Other explanations related to operations of the Bank .....	85
<b>II.</b>	Explanations and notes related to subsequent events .....	85

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT**

<b>I.</b>	Explanations on independent auditor's report .....	85
<b>II.</b>	Explanations and notes prepared by independent auditor .....	85

**SECTION EIGHT**

**INFORMATION ON INTERIM ACTIVITY REPORT**

<b>I.</b>	Interim period activity report included chairman of the board of directors and CEO's assessments for the interim activities .....	86
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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

Bank's commercial title	PASHA Yatırım Bankası A.Ş.
Reporting Period	1 January - 30 June 2021
Address of the Bank's Headquarters	Eski Büyükdere Caddesi Hümeyra Sokak No:2 PASHA Plaza, Kat:5 34415 Kağıthane, İstanbul
Telephone	(0 212) 705 89 00
Fax	(0 212) 345 07 12
Website	<a href="http://www.pashabank.com.tr">www.pashabank.com.tr</a>
E-mail	<a href="mailto:info@pashabank.com.tr">info@pashabank.com.tr</a>

PASHA Yatırım Bankası A.Ş. ("Bank", "PASHA Bank") has been permitted by the decree no. 87/11898 dated 17 June 1987 by the Council of Ministers pursuant to the repealed Banking Law No. 3182 and the Bank, as a subsidiary of Bahrain based TAIB Bank B.S.C.(c) has been established under the trade name of Yatırım Bank A.Ş. headquartered in İstanbul on the date of 25 December 1987. The trade name of the Bank have been changed to TAIB YatırımBank A.Ş. in effect from 29 May 1997.

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

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

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

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

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

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**PASHA YATIRIM BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**GENERAL INFORMATION** (continued)

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

There were no changes in the Bank's share capital, Articles of Association and ownership structure during the period and the shareholding structure of the Bank as of 30 June 2021, is stated below:

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

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

As of 30 June 2021, the shareholders of PASHA Bank OJSC are PASHA Holding LLC, Ador LLC, Mr. Arif Pashayev and Mr. Mir Jamal Pashayev with rates of 56.82%, 28.18%, 9.99% and 5.01% respectively.

As of 30 June 2021, the shareholders of PASHA Holding LLC are Bless LLC, Reveri LLC, Mr. Arif Pashayev and Mr. Mir Jamal Pashayev with rates of 37.50%, 37.50%, 15.00% and 10.00% respectively.

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

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

<sup>(2)</sup> As per the Board Resolution dated April 09, 2021 and numbered 29, Mr. Özer Baran has been appointed as the Deputy CEO in charge of Credits, Information Technologies, Change and Project Management effective from April 12, 2021.

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

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

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**PASHA YATIRIM BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**GENERAL INFORMATION** *(continued)*

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

Explanation on shareholders having control shares of the Bank as of 30 June 2021, is stated below;

<b>Name/Commercial title</b>	<b>Share Amounts (nominal)</b>	<b>Share percentage</b>	<b>Paid-in Capital (nominal)</b>	<b>Unpaid portion</b>
Leyla Aliyeva	179,763	35.95%	179,763	-
Arzu Aliyeva	179,763	35.95%	179,763	-
Arif Pashayev	88,535	17.71%	88,535	-
Mir Jamal Pashayev	51,734	10.35%	51,734	-

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

The Bank operates as an investment bank and as of 30 June 2021 the Bank has 55 employees (31 December 2020 - 56).

The Bank has been operating through its Head Office in Istanbul only as of 30 June 2021 and has no branches.

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

None.

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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 FINANCIAL STATEMENTS AT 30 JUNE 2021**

(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 30/06/2021			Prior Period 31/12/2020		
			LC	FC	Total	LC	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>127,373</b>	<b>257,655</b>	<b>385,028</b>	<b>64,098</b>	<b>273,939</b>	<b>338,037</b>
<b>1.1</b>	<b>Cash and cash equivalents</b>		<b>97,398</b>	<b>246,191</b>	<b>343,589</b>	<b>31,283</b>	<b>268,006</b>	<b>299,289</b>
1.1.1	Cash and balances at Central Bank	(5.1.1)	14,492	172,084	186,576	6,083	149,017	155,100
1.1.2	Banks	(5.1.3)	18,103	74,107	92,210	2,522	118,989	121,511
1.1.3	Receivables from money markets		65,160	-	65,160	23,011	-	23,011
1.1.4	Allowance for expected credit losses (-)		(357)	-	(357)	(333)	-	(333)
<b>1.2</b>	<b>Financial assets at fair value through profit or loss</b>	<b>(5.1.2)</b>	<b>2,723</b>	<b>10,960</b>	<b>13,683</b>	<b>1,472</b>	<b>5,933</b>	<b>7,405</b>
1.2.1	Public debt securities		-	-	-	-	-	-
1.2.2	Equity instruments		-	10,960	10,960	-	5,933	5,933
1.2.3	Other financial assets		2,723	-	2,723	1,472	-	1,472
<b>1.3</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>(5.1.4)</b>	<b>27,252</b>	<b>-</b>	<b>27,252</b>	<b>30,850</b>	<b>-</b>	<b>30,850</b>
1.3.1	Public debt securities		10,037	-	10,037	14,039	-	14,039
1.3.2	Equity instruments		7,659	-	7,659	7,659	-	7,659
1.3.3	Other financial assets		9,556	-	9,556	9,152	-	9,152
<b>1.4</b>	<b>Derivative financial assets</b>		<b>-</b>	<b>504</b>	<b>504</b>	<b>493</b>	<b>-</b>	<b>493</b>
1.4.1	Derivative financial assets at fair value through profit or loss	(5.1.2)	-	504	504	493	-	493
1.4.2	Derivative financial assets at fair value through other comprehensive income	(5.1.11)	-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>537,599</b>	<b>1,414,442</b>	<b>1,952,041</b>	<b>419,389</b>	<b>1,146,377</b>	<b>1,565,766</b>
<b>2.1</b>	<b>Loans</b>	<b>(5.1.5)</b>	<b>529,001</b>	<b>1,197,260</b>	<b>1,726,261</b>	<b>404,170</b>	<b>980,596</b>	<b>1,384,766</b>
<b>2.2</b>	<b>Receivables from leasing transactions</b>	<b>(5.1.10)</b>	<b>59,695</b>	<b>62,856</b>	<b>122,551</b>	<b>57,377</b>	<b>50,792</b>	<b>108,169</b>
<b>2.3</b>	<b>Factoring receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4</b>	<b>Financial assets measured at amortised cost</b>	<b>(5.1.6)</b>	<b>-</b>	<b>155,526</b>	<b>155,526</b>	<b>-</b>	<b>116,776</b>	<b>116,776</b>
2.4.1	Public debt securities		-	70,536	70,536	-	45,092	45,092
2.4.2	Other financial assets		-	84,990	84,990	-	71,684	71,684
<b>2.5</b>	<b>Allowance for expected credit losses (-)</b>	<b>(5.1.5)</b>	<b>(51,097)</b>	<b>(1,200)</b>	<b>(52,297)</b>	<b>(42,158)</b>	<b>(1,787)</b>	<b>(43,945)</b>
<b>III.</b>	<b>NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS (Net)</b>	<b>(5.1.16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1	Held for sale		-	-	-	-	-	-
3.2	Held from discontinued operations		-	-	-	-	-	-
<b>IV.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1</b>	<b>Investments in associates (Net)</b>	<b>(5.1.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1	Associates accounted by using equity method		-	-	-	-	-	-
4.1.2	Non-consolidated associates		-	-	-	-	-	-
<b>4.2</b>	<b>Investments in subsidiaries (Net)</b>	<b>(5.1.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.2.1	Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		-	-	-	-	-	-
<b>4.3</b>	<b>Jointly Controlled Partnerships (Joint Ventures) (Net)</b>	<b>(5.1.9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>(5.1.12)</b>	<b>88,021</b>	<b>-</b>	<b>88,021</b>	<b>88,878</b>	<b>-</b>	<b>88,878</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS AND GOODWILL (Net)</b>	<b>(5.1.13)</b>	<b>7,085</b>	<b>-</b>	<b>7,085</b>	<b>6,849</b>	<b>-</b>	<b>6,849</b>
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		7,085	-	7,085	6,849	-	6,849
<b>VII.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	<b>(5.1.14)</b>	<b>144,390</b>	<b>-</b>	<b>144,390</b>	<b>144,862</b>	<b>-</b>	<b>144,862</b>
<b>VIII.</b>	<b>CURRENT TAX ASSETS</b>		<b>1,721</b>	<b>-</b>	<b>1,721</b>	<b>632</b>	<b>-</b>	<b>632</b>
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	<b>(5.1.15)</b>	<b>11,846</b>	<b>-</b>	<b>11,846</b>	<b>13,746</b>	<b>-</b>	<b>13,746</b>
<b>X.</b>	<b>OTHER ASSETS (Net)</b>	<b>(5.1.17)</b>	<b>27,587</b>	<b>89</b>	<b>27,676</b>	<b>20,639</b>	<b>-</b>	<b>20,639</b>
	<b>TOTAL ASSETS</b>		<b>945,622</b>	<b>1,672,186</b>	<b>2,617,808</b>	<b>759,093</b>	<b>1,420,316</b>	<b>2,179,409</b>

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 FINANCIAL STATEMENTS AT 30 JUNE 2021**

(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 30/06/2021			Prior Period 31/12/2020		
			LC	FC	Total	LC	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	(5.2.1)	-	-	-	-	-	-
<b>II.</b>	<b>LOANS RECEIVED</b>	(5.2.3)	164,429	886,885	1,051,314	92,529	710,695	803,224
<b>III.</b>	<b>MONEY MARKET FUNDS</b>	(5.2.4)	16,381	31,621	48,002	48,168	5,095	53,263
<b>IV.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	(5.2.5)	77,849	755,799	833,648	-	647,016	647,016
4.1	Bills		77,849	-	77,849	-	-	-
4.2	Asset backed securities		-	-	-	-	-	-
4.3	Bonds		-	755,799	755,799	-	647,016	647,016
<b>V.</b>	<b>FUNDS</b>		9,214	13,347	22,561	3,019	21,493	24,512
5.1	Borrower funds		9,214	13,347	22,561	3,019	21,493	24,512
5.2	Other		-	-	-	-	-	-
<b>VI.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		590	45	635	118	1,312	1,430
7.1	Derivative financial liabilities at fair value through profit or loss	(5.2.2)	590	45	635	118	1,312	1,430
7.2	Derivative financial liabilities at fair value through other comprehensive income	(5.2.8)	-	-	-	-	-	-
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX.</b>	<b>LEASE PAYABLES (Net)</b>	(5.2.7)	157	-	157	178	-	178
<b>X.</b>	<b>PROVISIONS</b>	(5.2.9)	8,555	-	8,555	17,597	-	17,597
10.1	Provision for restructuring		-	-	-	-	-	-
10.2	Reserves for employee benefits		917	-	917	808	-	808
10.3	Insurance technical reserves (Net)		-	-	-	-	-	-
10.4	Other provisions		7,638	-	7,638	16,789	-	16,789
<b>XI.</b>	<b>CURRENT TAX LIABILITIES</b>	(5.2.10)	5,818	-	5,818	3,819	-	3,819
<b>XII.</b>	<b>DEFERRED TAX LIABILITIES</b>	(5.2.11)	-	-	-	-	-	-
<b>XIII.</b>	<b>LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(5.2.12)	-	-	-	-	-	-
13.1	Held for sale		-	-	-	-	-	-
13.2	Related to discontinued operations		-	-	-	-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBT</b>	(5.2.13)	-	-	-	-	-	-
14.1	Loans		-	-	-	-	-	-
14.2	Other debt instruments		-	-	-	-	-	-
<b>XV.</b>	<b>OTHER LIABILITIES</b>	(5.2.6)	45,060	13,318	58,378	35,549	30,151	65,700
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	(5.2.14)	588,740	-	588,740	562,670	-	562,670
16.1	Paid-in capital		500,000	-	500,000	500,000	-	500,000
16.2	Capital reserves		-	-	-	-	-	-
16.2.1	Equity share premiums		-	-	-	-	-	-
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Other capital reserves		-	-	-	-	-	-
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		-	-	-	-	-	-
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(45)	-	(45)	(96)	-	(96)
16.5	Profit reserves		62,766	-	62,766	31,390	-	31,390
16.5.1	Legal reserves		2,971	-	2,971	1,402	-	1,402
16.5.2	Statutory reserves		295	-	295	295	-	295
16.5.3	Extraordinary reserves		59,500	-	59,500	29,693	-	29,693
16.5.4	Other profit reserves		-	-	-	-	-	-
16.6	Profit or loss		26,019	-	26,019	31,376	-	31,376
16.6.1	Prior years' profits or losses		-	-	-	-	-	-
16.6.2	Current period net profit or loss		26,019	-	26,019	31,376	-	31,376
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>916,793</b>	<b>1,701,015</b>	<b>2,617,808</b>	<b>763,647</b>	<b>1,415,762</b>	<b>2,179,409</b>

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**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**II. OFF-BALANCE SHEET**

	Note	Current Period 30/06/2021			Prior Period 31/12/2020		
		LC	FC	Total	LC	FC	Total
<b>OFF BALANCE SHEET COMMITMENTS</b>							
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>215,957</b>	<b>475,728</b>	<b>691,685</b>	<b>205,515</b>	<b>339,715</b>	<b>545,230</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(5.3.1)</b>	<b>152,407</b>	<b>303,242</b>	<b>455,649</b>	<b>165,346</b>	<b>167,280</b>	<b>332,626</b>
1.1. Letters of Guarantee		152,407	114,245	266,652	165,346	126,473	291,819
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		152,407	114,245	266,652	165,346	126,473	291,819
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	-	-	-	-	-
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	-	-	-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		-	188,997	188,997	-	40,807	40,807
1.9. Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(5.3.1)</b>	<b>6,050</b>	<b>16,282</b>	<b>22,332</b>	<b>7,718</b>	<b>14,715</b>	<b>22,433</b>
2.1. Irrevocable Commitments		6,050	16,282	22,332	7,718	14,715	22,433
2.1.1. Asset Purchase and Sales Commitments		578	4,202	4,780	2,246	2,226	4,472
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Commitments for Loan Limits		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		-	-	-	-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10. Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		5,472	12,080	17,552	5,472	12,489	17,961
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(5.3.2)</b>	<b>57,500</b>	<b>156,204</b>	<b>213,704</b>	<b>32,451</b>	<b>157,720</b>	<b>190,171</b>
3.1. Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2. Trading Derivative Financial Instruments		57,500	156,204	213,704	32,451	157,720	190,171
3.2.1. Forward Foreign Currency Buy/Sell Transactions		57,500	52,483	109,983	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	52,483	52,483	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		57,500	-	57,500	-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	103,721	103,721	32,451	157,720	190,171
3.2.2.1. Foreign Currency Swap-Buy		-	52,096	52,096	9,661	84,789	94,450
3.2.2.2. Foreign Currency Swap-Sell		-	51,625	51,625	22,790	72,931	95,721
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1. Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2. Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3. Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4. Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5. Securities Options-Buy		-	-	-	-	-	-
3.2.3.6. Securities Options-Sell		-	-	-	-	-	-
3.2.4. Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1. Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2. Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>2,689,946</b>	<b>2,293,920</b>	<b>4,983,866</b>	<b>2,318,912</b>	<b>2,096,503</b>	<b>4,415,415</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>72,163</b>	<b>-</b>	<b>72,163</b>	<b>5,119</b>	<b>-</b>	<b>5,119</b>
4.1. Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		70,540	-	70,540	3,604	-	3,604
4.3. Cheques Received for Collection		1,623	-	1,623	1,515	-	1,515
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>2,560,233</b>	<b>2,187,121</b>	<b>4,747,354</b>	<b>2,301,249</b>	<b>2,035,361</b>	<b>4,336,610</b>
5.1. Marketable Securities		96,645	269,586	366,231	199,268	230,426	429,694
5.2. Guarantee Notes		290,559	118,474	409,033	291,072	102,621	393,693
5.3. Commodity		478,524	219,465	697,989	322,999	189,537	512,536
5.4. Warranty		-	-	-	-	-	-
5.5. Immovable		941,051	561,052	1,502,103	865,051	484,208	1,349,259
5.6. Other Pledged Items		753,454	1,018,544	1,771,998	622,859	1,028,569	1,651,428
5.7. Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>57,550</b>	<b>106,799</b>	<b>164,349</b>	<b>12,544</b>	<b>61,142</b>	<b>73,686</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>2,905,903</b>	<b>2,769,648</b>	<b>5,675,551</b>	<b>2,524,427</b>	<b>2,436,218</b>	<b>4,960,645</b>

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**III. STATEMENT OF PROFIT OR LOSS**

	INCOME STATEMENT	Note	Current Period 01/01/2021- 30/06/2021	Prior Period 01/01/2020- 30/06/2020	Current Period 01/04/2021- 30/06/2021	Prior Period 01/04/2020- 30/06/2020
<b>I.</b>	<b>INTEREST INCOME</b>	(5.4.1)	<b>92,225</b>	<b>59,162</b>	<b>49,790</b>	<b>30,956</b>
1.1	Interest on Loans		73,426	49,454	40,122	26,203
1.2	Interest Received From Reserve Deposits		736	2	488	2
1.3	Interest Received From Banks		338	549	208	115
1.4	Interest Received From Money Market Transactions		3,462	1,829	1,625	326
1.5	Interest Received From Marketable Securities Portfolio		6,859	4,967	3,593	2,718
1.5.1	Financial assets at fair value through profit or loss		-	-	-	-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		1,512	917	723	503
1.5.3	Financial Assets Measured at Amortised Cost		5,347	4,050	2,870	2,215
1.6	Finance Lease Income		7,395	2,258	3,754	1,567
1.7	Other Interest Income		9	103	-	25
<b>II.</b>	<b>INTEREST EXPENSES (-)</b>	(5.4.2)	<b>43,930</b>	<b>23,166</b>	<b>24,258</b>	<b>12,810</b>
2.1	Interest on Deposits		-	-	-	-
2.2	Interest on Funds Borrowed		24,810	11,665	14,057	6,506
2.3	Interest on Money Market Transactions		1,755	477	672	198
2.4	Interest on Securities Issued		15,985	10,340	8,758	5,654
2.5	Finance Lease Expense		19	13	12	8
2.6	Other Interest Expenses	(5.4.12)	1,361	671	759	444
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>48,295</b>	<b>35,996</b>	<b>25,532</b>	<b>18,146</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>3,362</b>	<b>1,855</b>	<b>1,701</b>	<b>1,114</b>
4.1	Fees and Commissions Received		5,248	2,674	2,581	1,595
4.1.1	Non-cash loans		1,893	1,532	775	753
4.1.2	Other	(5.4.12)	3,355	1,142	1,806	842
4.2	Fees and Commissions Paid (-)		1,886	819	880	481
4.2.1	Non-Cash Loans		226	218	113	132
4.2.2	Other	(5.4.12)	1,660	601	767	349
<b>V.</b>	<b>DIVIDEND INCOME</b>	(5.4.3)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	(5.4.4)	<b>6,984</b>	<b>2,387</b>	<b>643</b>	<b>310</b>
6.1	Profit/Losses From Capital Market Transactions		3,189	-	(20)	-
6.2	Profit/Losses From Derivative Financial Transactions		60	6,592	(1,694)	2,472
6.3	Foreign Exchange Profit/Losses		3,735	(4,205)	2,357	(2,162)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(5.4.5)	<b>9,612</b>	<b>2,949</b>	<b>1,204</b>	<b>604</b>
<b>VIII.</b>	<b>GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>		<b>68,253</b>	<b>43,187</b>	<b>29,080</b>	<b>20,174</b>
<b>IX.</b>	<b>ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	(5.4.6)	<b>11,232</b>	<b>7,745</b>	<b>10</b>	<b>5,770</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	(5.4.6)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>12,480</b>	<b>9,843</b>	<b>7,238</b>	<b>5,284</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(5.4.7)	<b>10,606</b>	<b>11,330</b>	<b>5,185</b>	<b>5,745</b>
<b>XIII.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>33,935</b>	<b>14,269</b>	<b>16,647</b>	<b>3,375</b>
<b>XIV.</b>	<b>SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV.</b>	<b>PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>NET MONETARY POSITION GAIN/LOSS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)</b>	(5.4.8)	<b>33,935</b>	<b>14,269</b>	<b>16,647</b>	<b>3,375</b>
<b>XVIII.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	(5.4.9)	<b>7,916</b>	<b>3,152</b>	<b>4,391</b>	<b>735</b>
18.1	Current Tax Provision		6,027	3,161	4,106	1,376
18.2	Expense Effect Of Deferred Tax (+)		3,663	1,199	586	(505)
18.3	Income Effect Of Deferred Tax (-)		1,774	1,208	301	136
<b>XIX.</b>	<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	(5.4.10)	<b>26,019</b>	<b>11,117</b>	<b>12,256</b>	<b>2,640</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-
<b>XXII.</b>	<b>PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)</b>	(5.4.8)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	(5.4.9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
23.1	Current Tax Provision		-	-	-	-
23.2	Expense Effect Of Deferred Tax (+)		-	-	-	-
23.3	Income Effect Of Deferred Tax (-)		-	-	-	-
<b>XXIV.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>	(5.4.10)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXV.</b>	<b>NET PROFIT/LOSSES (XIX+XXIV)</b>	(5.4.11)	<b>26,019</b>	<b>11,117</b>	<b>12,256</b>	<b>2,640</b>
	Profit/Loss Per Share (Expressed in exact TL)		0.0520	0.0222	0.0245	0.0053

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

		Current Period 01/01/2021- 30/06/2021	Prior Period 01/01/2020- 30/06/2020	Current Period 01/04/2021- 30/06/2021	Prior Period 01/04/2020- 30/06/2020
<b>I.</b>	<b>PROFIT (LOSS)</b>	<b>26,019</b>	<b>11,117</b>	<b>12,256</b>	<b>2,640</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>51</b>	<b>94</b>	<b>108</b>	<b>87</b>
<b>2.1</b>	<b>Other comprehensive income that will not be reclassified to profit or loss</b>	-	-	-	-
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	-	-	-	-
<b>2.2</b>	<b>Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>51</b>	<b>94</b>	<b>108</b>	<b>87</b>
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	62	121	133	112
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	(11)	(27)	(25)	(25)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>26,070</b>	<b>11,211</b>	<b>12,364</b>	<b>2,727</b>

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**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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**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				
<b>Prior Period 01/01/2020 – 30/06/2020</b>															
<b>I.</b>	<b>Balance at the beginning of the period</b>	500,000	-	-	-	-	-	-	-	221	-	5,656	43	25,691	531,611
<b>II.</b>	<b>Adjustment in accordance with TMS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>New balance (I+II)</b>	500,000	-	-	-	-	-	-	-	221	-	5,656	43	25,691	531,611
<b>IV.</b>	<b>Total comprehensive income (loss)</b>	-	-	-	-	-	-	-	-	94	-	-	-	11,117	11,211
<b>V.</b>	<b>Capital increase in cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI.</b>	<b>Capital increase through internal reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Issued capital inflation adjustment difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	<b>Convertible bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX.</b>	<b>Subordinated debt</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Increase (decrease) through other changes, equity</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	25,734	(43)	(25,691)	-
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	25,734	(43)	(25,691)	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Period-End Balance (III+IV+.....+X+XI)</b>	500,000	-	-	-	-	-	-	-	315	-	31,390	-	11,117	542,822
<b>Current Period 01/01/2021 – 30/06/2021</b>															
<b>I.</b>	<b>Balance at the beginning of the period</b>	500,000	-	-	-	-	-	-	-	(96)	-	31,390	-	31,376	562,670
<b>II.</b>	<b>Adjustment in accordance with TMS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III.</b>	<b>New balance (I+II)</b>	500,000	-	-	-	-	-	-	-	(96)	-	31,390	-	31,376	562,670
<b>IV.</b>	<b>Total comprehensive income (loss)</b>	-	-	-	-	-	-	-	-	51	-	-	-	26,019	26,070
<b>V.</b>	<b>Capital increase in cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI.</b>	<b>Capital increase through internal reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Issued capital inflation adjustment difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	<b>Convertible bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX.</b>	<b>Subordinated debt</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Increase (decrease) through other changes, equity</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	31,376	-	(31,376)	-
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	31,376	-	(31,376)	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Period-End Balance (III+IV+.....+X+XI)</b>	500,000	-	-	-	-	-	-	-	(45)	-	62,766	-	26,019	588,740

- 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)

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.**

**UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**VI. STATEMENT OF CASH FLOW**

	Note	Current Period 30/06/2021	Prior Period 30/06/2020
<b>A.</b>			
<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>I.1</b>		<b>18,188</b>	<b>10,920</b>
<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>			
1.1.1		78,039	55,679
1.1.2		(39,639)	(26,620)
1.1.3		-	-
1.1.4		3,980	1,704
1.1.5		1,587	787
1.1.6		3,130	1,275
1.1.7		(16,167)	(10,481)
1.1.8		(4,945)	(2,624)
1.1.9	(5.6.2)	(7,797)	(8,800)
<b>1.2</b>		<b>(83,823)</b>	<b>(69,236)</b>
<b>Changes in Operating Assets and Liabilities</b>			
1.2.1		(1,937)	(4,618)
1.2.2		(12,201)	73,606
1.2.3		(195,476)	(182,775)
1.2.4	(5.6.2)	(632)	(830)
1.2.5		-	-
1.2.6		-	-
1.2.7		-	-
1.2.8		147,734	10,788
1.2.9		-	-
1.2.10	(5.6.2)	(21,311)	34,593
<b>I.</b>		<b>(65,635)</b>	<b>(58,316)</b>
<b>Net Cash Provided from Banking Operations</b>			
<b>B.</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>		<b>(13,562)</b>	<b>(21,301)</b>
<b>Net Cash Provided from / (Paid For) Investing Activities</b>			
2.1		-	-
2.2		-	-
2.3		(1,913)	(501)
2.4		-	-
2.5		(1,320)	(9,415)
2.6		5,769	2,090
2.7		(16,098)	(47,909)
2.8		-	34,434
2.9		-	-
<b>C.</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>		<b>77,483</b>	<b>75,440</b>
<b>Net Cash Provided from Financing Activities</b>			
3.1		198,920	150,151
3.2		(121,390)	(74,659)
3.3		-	-
3.4		-	-
3.5		(47)	(52)
3.6		-	-
<b>IV.</b>	(5.6.2)	<b>9,621</b>	<b>15,972</b>
<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>			
<b>V.</b>		<b>7,907</b>	<b>11,795</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>			
<b>VI.</b>	(5.6.1)	<b>163,361</b>	<b>190,631</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>			
<b>VII.</b>	(5.6.1)	<b>171,268</b>	<b>202,426</b>
<b>Cash and Cash Equivalents at the End of the Period (V+VI)</b>			

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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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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.

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

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

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

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

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

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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**Explanation for convenience translation into English:**

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

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

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

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

**III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

The Bank does not have any embedded derivative instruments.

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

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

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial 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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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

**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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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

(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.

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.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

---

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

In the last quarter of 2020, some improvements were made to increase the performance of the Bank's internal rating model. The bank portfolio consists of large companies and financial institutions that are small in number but have a high volume of loan demand. Due to the low number of observations involving bank internal default data, a global rating methodology based on publicly published global methodology documents is used instead of a model based on internal data. The methodology is based on both a financial assessment based on information from the client's balance sheets and a qualitative assessment, including questions such as management strategy and structure. This assessment is the base module, which is the basis of the Bank's rating methodology. Then, subsequent adjustment factors such as the parental support, government support, early warning signals and country ceiling are applied in the form of grade increases/decreases on the base module in a modular structure.

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

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

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

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

$$ECL = PD * LGD * EAD * (if any CCF)$$

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

Classification of Loans and Provisions for reserves to be set aside from 17 March 2020 mainly due to the COVID-19 outbreak due to the decisions of BRSA numbered 8948 dated March 17, 2020 and numbered 8970 dated March 27, 2020. Within the scope of Articles 4 and 5 of the Regulation on Procedures and Principles regarding provisions to be allocated, the first 30 days delay period envisaged to be applied as 90 days until 31 December 2020 for the loans monitored in the first group and the 90 days delay period for the classification of loans and 180 As of March 17, 2020 Board Decision, 90 days delay period envisaged for the period to be applied is 180 days until June 30, 2021 for the loans monitored in the second group. With the BRSA's decision dated 17 June 2021 and numbered 9624, it was extended until 30 September 2021.

In this context,

- Temporarily, the practice of the classifying receivables which cannot be collected up to 90 days and 180 days in the first group and second group has been established, respectively.
- For customer who do not want to be delayed in overdue installments, the installment of installments has started within the framework of these deadlines without breaking the existing configuration contracts.
- In the completion of the “Garamé” banks protocols, the time to be given to time-consuming operations was extended with a joint agreement.
- Ultimately, it was concluded that the provisions to be set aside for such receivables will continue according to their own risk models used by banks to calculate expected loan losses under TFRS 9.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

---

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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”.

**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 30 June 2021 and 31 December 2020, there is no any goodwill amount that need to reflect to the 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 FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

---

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**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 from 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.

**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.

	<b>30 June 2021</b>	<b>31 December 2020</b>
Discount Rate (%)	3.85	3.85
Inflation Rate (%)	9.00	9.00

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. In accordance with TFRS 9 articles, beginning from 1 January 2018, deferred tax has started to be measured over expected credit losses constituting temporary differences. Deferred tax is not calculated over free provisions.

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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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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(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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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.

**XXVIII. EXPLANATIONS ON OTHER MATTERS**

None.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**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 614,126 (31 December 2020 –TL 584,574) while its capital adequacy standard ratio is 22.42 % (31 December 2020 – 26.34%) as of 30 June 2021. 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 <sup>(1)</sup>	Prior Period	1/1/2014 Regarding pre- Application amount <sup>(1)</sup>
<b>Common Equity Tier 1 capital</b>				
Directly issued qualifying common share capital plus related stock surplus	500,000	-	500,000	-
Share premium	-	-	-	-
Legal reserves	62,766	-	31,390	-
Projected gains to shareholders' equity of the accounting standards in Turkey	589	-	1,388	-
Profit	26,019	-	31,376	-
Net current period profit	26,019	-	31,376	-
Prior period profit	-	-	-	-
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	-	-	-	-
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>589,374</b>	<b>-</b>	<b>564,154</b>	<b>-</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>				
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	126	-	469	-
Development cost of operating lease	-	-	-	-
Goodwill (net of related tax liability)	-	-	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	7,085	-	6,849	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Cash-flow hedge reserve	-	-	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Securitisation gain on sale	-	-	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-	-	-
Reciprocal cross-holdings in common equity	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding the 15% threshold	-	-	-	-
of which: significant investments in the common stock of financials	-	-	-	-
of which: mortgage servicing rights	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments	-	-	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>7,211</b>	<b>-</b>	<b>7,318</b>	<b>-</b>
<b>Common Equity Tier 1 capital (CET 1)</b>	<b>582,163</b>	<b>-</b>	<b>556,836</b>	<b>-</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

	Current Period	1/1/2014 Regarding pre- Application amount <sup>(1)</sup>	Prior Period	1/1/2014 Regarding pre- Application amount <sup>(1)</sup>
<b>Additional Tier 1 capital: instruments</b>				
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	-	-	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	-	-	-	-
<b>Additional Tier 1 capital: regulatory adjustments</b>				
Investments in own Additional Tier 1 instruments	-	-	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
National specific regulatory adjustments	-	-	-	-
<b>The process of transition will continue to reduce from Tier 1 Capital</b>				
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(-)	-	-	-	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	-	-	-
<b>Additional Tier 1 capital (AT1)</b>	-	-	-	-
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>582,163</b>	-	<b>556,836</b>	-
<b>Tier 2 capital: instruments and provisions</b>				
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Provisions	31,963	-	27,738	-
<b>Tier 2 capital before regulatory adjustments</b>	<b>31,963</b>	-	<b>27,738</b>	-
<b>Tier 2 capital: regulatory adjustments</b>				
Investments in own Tier 2 instruments (-)	-	-	-	-
Reciprocal cross-holdings in Tier 2 instruments	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
National specific regulatory adjustments (-)	-	-	-	-
<b>Total regulatory adjustments to Tier 2 capital</b>	-	-	-	-
<b>Tier 2 capital (T2)</b>	<b>31,963</b>	-	<b>27,738</b>	-
<b>Total capital (TC = T1 + T2)</b>	<b>614,126</b>	-	<b>584,574</b>	-
<b>Total risk weighted assets</b>				
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	-	-	-	-
<b>The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital</b>				
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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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

	Current Period	1/1/2014 Regarding pre- Application amount <sup>(1)</sup>	Prior Period	1/1/2014 Regarding pre- Application amount <sup>(1)</sup>
<b>Shareholders' Equity</b>				
Total shareholders' equity	614,126	-	584,574	-
Total risk weighted items	2,739,277	-	2,219,041	-
<b>CAPITAL ADEQUACY RATIOS</b>				
<b>Core Capital Adequacy Ratio (%)</b>	<b>21.25</b>	-	<b>25.09</b>	-
<b>Tier 1 Capital Adequacy Ratio (%)</b>	<b>21.25</b>	-	<b>25.09</b>	-
<b>Capital Adequacy Standard Ratio (%)</b>	<b>22.42</b>	-	<b>26.34</b>	-
<b>BUFFERS</b>				
Total additional core capital requirement ratio (a+b+c)	2.505	-	2.505	-
a) Capital conservation buffer requirement (%)	2.500	-	2.500	-
b) Bank specific countercyclical buffer requirement (%)	0.005	-	0.005	-
c) Higher bank buffer requirement ratio (%)	-	-	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	13.30	-	17.09	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
Non-significant investments in the capital of other financials	-	-	-	-
Significant investments in the common stock of financials	-	-	-	-
Mortgage servicing rights (net of related tax liability)	-	-	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	31,963	-	34,452	-
Cap on inclusion of provisions in Tier 2 under standardised approach	31,963	-	27,738	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>				
Current cap on common equity T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from common equity T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-
Current cap on additional T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from additional T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-

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

As a result of COVID-19 epidemic, in the calculation of the amount subject to credit risk, in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy due to the fluctuations in the financial markets, based on the press release of the BRSA on 23 March 2020 and updated with its regulation on 17 June 2021; It has been made possible to use the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days when calculating the amounts of monetary assets and non-monetary assets, other than items in foreign currency measured in terms of historical cost, in accordance with Turkish Accounting Standards and related special provisions. As of 30 June 2021, the Bank has not used this opportunity in its Capital Adequacy calculations.

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

None (31 December 2020 - None).

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**II. EXPLANATIONS ON CURRENCY RISK**

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

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

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

(Full TL)	USD	EUR
<b>Foreign exchange rates as of 30 June 2021</b>	<b>8.6803</b>	<b>10.3249</b>
1. Bid rate	8.7052	10.3645
2. Bid rate	8.7219	10.4077
3. Bid rate	8.6772	10.3646
4. Bid rate	8.6593	10.3356
5. Bid rate	8.6139	10.2828
Arithmetic average – 30 days	8.6022	10.3617
<b>Foreign exchange rates as of 31 December 2020</b>	<b>7.4194</b>	<b>9.1164</b>

**Foreign Exchange Sensitivity Analysis**

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

Change in Currency Rate		Effect on Profit and Loss		Effect on Equity	
		30 June 2021	31 December 2020	30 June 2021	31 December 2020
USD	10% decrease	(2,040)	(2,556)	(2,040)	(2,556)
USD	10% increase	2,040	2,556	2,040	2,556
EUR	10% decrease	(2,183)	(854)	(2,183)	(854)
EUR	10% increase	2,183	854	2,183	854

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

<b>Current Period</b>	<b>EURO</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	40	172,044	-	172,084
Due from Banks	4,721	69,297	89	74,107
Financial Assets at Fair Value Through Profit or Loss	10,960	-	-	10,960
Money Market Placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans <sup>(1)</sup>	571,391	706,227	-	1,277,618
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets at fair value through profit or loss	-	155,526	-	155,526
Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	-	-	89	89
<b>Total Assets</b>	<b>587,112</b>	<b>1,103,094</b>	<b>178</b>	<b>1,690,384</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	18,872	12,749	-	31,621
Funds Borrowed From Other Financial Institutions	462,970	423,915	-	886,885
Marketable Securities Issued	33,111	722,688	-	755,799
Miscellaneous Payables <sup>(3)</sup>	131	13,187	-	13,318
Derivative Financial Liabilities <sup>(4)</sup>	-	-	-	-
Other Liabilities <sup>(2)</sup>	421	12,926	-	13,347
<b>Total Liabilities</b>	<b>515,505</b>	<b>1,185,465</b>	<b>-</b>	<b>1,700,970</b>
<b>Net On-balance Sheet Position</b>	<b>71,607</b>	<b>(82,371)</b>	<b>178</b>	<b>(10,586)</b>
<b>Net Off-balance Sheet Position</b>	<b>(49,775)</b>	<b>102,767</b>	<b>-</b>	<b>52,992</b>
Derivative Financial Assets	2,120	104,579	-	106,699
Derivative Financial Liabilities	51,895	1,812	-	53,707
Non-Cash Loans	195,923	107,319	-	303,242
<b>Prior Period</b>				
Total Assets	482,184	956,729	79	1,438,992
Total Liabilities	400,716	1,013,734	-	1,414,450
Net On-balance Sheet Position	<b>81,468</b>	<b>(57,005)</b>	<b>79</b>	<b>24,542</b>
Net Off-balance Sheet Position	<b>(72,931)</b>	<b>82,563</b>	<b>-</b>	<b>9,632</b>
<b>Derivative Financial Assets</b>	-	84,789	-	84,789
<b>Derivative Financial Liabilities</b>	72,931	2,226	-	75,157
Non-Cash Loans	75,466	91,814	-	167,280

<sup>(1)</sup> Foreign currency indexed loans amounting to TL 18,702 (31 December 2020 – TL 18,626), receivables from leasing transaction amounting to TL 62,856 (31 December 2020 – 50,792 TL) and foreign currency expected credit losses amounting to TL 1,200 (31 December 2020 – 1,787 TL) are included.

<sup>(2)</sup> Borrowers’ funds amounting to TL 13,347 (31 December 2020 – TL 21,493) are included.

<sup>(3)</sup> Presented in other liabilities at financial statements.

<sup>(4)</sup> Excludes derivative financial asset and liabilities amounting to TL 504 and 45 TL, respectively (31 December 2020 – TL 1,312 of derivative financial liabilities).

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**III. EXPLANATIONS ON INTEREST RATE RISK**

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

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

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

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

<b>30 June 2021</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non- Interest Bearing<sup>(1)</sup></b>	<b>Total</b>
<b>Assets</b>							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the CB of Turkey	169,566	-	-	-	-	16,812	186,378
Due from Banks	75,770	-	-	-	-	16,281	92,051
Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>	504	-	-	-	-	13,683	14,187
Money Market Placements	45,076	20,084	-	-	-	-	65,160
Financial assets at fair value through other comprehensive income	2,885	14,002	2,183	523	-	7,659	27,252
Loans <sup>(2)</sup>	392,838	364,070	514,506	568,023	9,375	(50,320)	1,798,492
Financial assets measured at amortised cost	632	1,692	23,947	129,255	-	(1,977)	153,549
Other Assets	-	-	-	-	-	280,739	280,739
<b>Total Assets</b>	<b>687,271</b>	<b>399,848</b>	<b>540,636</b>	<b>697,801</b>	<b>9,375</b>	<b>282,877</b>	<b>2,617,808</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	36,199	3,758	8,045	-	-	-	48,002
Miscellaneous Payables <sup>(5)</sup>	13,722	-	-	-	-	16,501	30,223
Marketable Securities Issued	1,626	217,676	364,299	250,047	-	-	833,648
Funds Borrowed From Other Financial Institutions	330,271	227,016	52,143	441,781	-	103	1,051,314
Other Liabilities <sup>(3),(4)</sup>	6,374	-	589	-	-	647,658	654,621
<b>Total Liabilities</b>	<b>388,192</b>	<b>448,450</b>	<b>425,076</b>	<b>691,828</b>	<b>-</b>	<b>664,262</b>	<b>2,617,808</b>
Balance Sheet Long Position	299,079	-	115,560	5,973	9,375	-	429,987
Balance Sheet Short Position	-	(48,602)	-	-	-	(381,385)	(429,987)
Off-balance Sheet Long Position <sup>(6)</sup>	54,487	-	52,483	-	-	-	106,970
Off-balance Sheet Short Position <sup>(6)</sup>	(54,014)	-	(57,500)	-	-	-	(111,514)
<b>Total Position</b>	<b>299,552</b>	<b>(48,602)</b>	<b>110,543</b>	<b>5,973</b>	<b>9,375</b>	<b>(381,385)</b>	<b>(4,544)</b>

(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.

(6) Includes asset purchase and sale commitments

(7) Includes derivatives financial assets

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

<b>31 December 2020</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non- Interest Bearing <sup>(1)</sup></b>	<b>Total</b>
<b>Assets</b>							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the CB of Turkey	133,831	-	-	-	-	21,091	154,922
Due from Banks	104,635	-	-	-	-	16,721	121,356
Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>	493	-	-	-	-	7,405	7,898
Money Market Placements	23,011	-	-	-	-	-	23,011
Financial assets at fair value through other comprehensive income	2,575	275	20,341	-	-	7,659	30,850
Loans <sup>(2)</sup>	405,573	297,427	443,776	334,140	12,019	(42,190)	1,450,745
Financial assets measured at amortised cost	544	1,226	455	114,551	-	(1,755)	115,021
Other Assets	-	-	-	-	-	275,606	275,606
<b>Total Assets</b>	<b>670,662</b>	<b>298,928</b>	<b>464,572</b>	<b>448,691</b>	<b>12,019</b>	<b>284,537</b>	<b>2,179,409</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	49,634	1,064	2,565	-	-	-	53,263
Miscellaneous Payables	1,367	9,318	-	-	-	34,119	44,804
Marketable Securities Issued	1,412	621	185,485	459,498	-	-	647,016
Funds Borrowed From Other Financial Institutions	187,932	148,684	85,967	380,521	-	120	803,224
Other Liabilities <sup>(3),(4)</sup>	1,362	1,070	-	-	-	628,670	631,102
<b>Total Liabilities</b>	<b>241,707</b>	<b>160,757</b>	<b>274,017</b>	<b>840,019</b>	<b>-</b>	<b>662,909</b>	<b>2,179,409</b>
Balance Sheet Long Position	428,955	138,171	190,555	-	12,019	-	769,700
Balance Sheet Short Position	-	-	-	(391,328)	-	(378,372)	(769,700)
Off-balance Sheet Long Position <sup>(6)</sup>	38,899	57,797	-	-	-	-	96,696
Off-balance Sheet Short Position <sup>(6)</sup>	(38,691)	(59,256)	-	-	-	-	(97,947)
<b>Total Position</b>	<b>429,163</b>	<b>136,712</b>	<b>190,555</b>	<b>(391,328)</b>	<b>12,019</b>	<b>(378,372)</b>	<b>(1,251)</b>

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

<sup>(2)</sup> Finance lease receivables are included.

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

<sup>(4)</sup> Borrowers' funds is presented in the other liabilities.

<sup>(5)</sup> Presented in other liabilities at financial statements.

<sup>(6)</sup> Includes asset purchase and sale commitments

<sup>(7)</sup> Includes derivatives financial assets

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

<b>30 June 2021</b>	<b>EUR %</b>	<b>USD %</b>	<b>JPY %</b>	<b>TRY %</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	-	-	13.00
Due From Banks	0.03	0.19	-	20.51
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	18.01
Financial assets at fair value through other comprehensive income	-	-	-	15.03
Loans	4.71	5.42	-	20.44
Financial assets measured at amortised cost	-	7.78	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	1.38	3.04	-	17.54
Miscellaneous Payables <sup>(1)</sup>	-	0.22	-	16.98
Marketable Securities Issued	1.75	3.55	-	19.16
Funds Borrowed From Other Financial Institutions	1.46	3.83	-	18.31

<sup>(1)</sup> Includes borrowers' funds.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

	EUR %	USD %	JPY %	TRY %
<b>31 December 2020</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	-	-	9.56
Due From Banks	0.01	0.49	-	11.44
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	11.18
Financial assets at fair value through other comprehensive income	-	-	-	13.10
Loans	4.50	5.76	-	14.55
Financial assets measured at amortised cost	-	8.01	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	0.89	2.31	-	10.30
Miscellaneous Payables <sup>(1)</sup>	-	0.95	-	9.87
Marketable Securities Issued	1.75	3.60	-	11.02
Funds Borrowed From Other Financial Institutions	1.15	4.03	-	10.63

<sup>(1)</sup> Includes borrowers' funds.

- 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	(10,675)	(1.74%)
TRY	(-) 400 basis point	9,357	1.52%
USD	(+) 200 basis point	5,975	0.97%
USD	(-) 200 basis point	3,662	0.60%
EUR	(+) 200 basis point	(10,830)	(1.76%)
EUR	(-) 200 basis point	-	-
<b>TOTAL (for negative shocks)</b>		<b>13,019</b>	<b>2.12%</b>
<b>TOTAL (for positive shocks)</b>		<b>(15,530)</b>	<b>(2.53%)</b>

Prior Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TRY	(+) 500 basis point	(9,718)	(1.66%)
TRY	(-) 400 basis point	8,751	1.50%
USD	(+) 200 basis point	21,398	3.66%
USD	(-) 200 basis point	(5,869)	(1.00%)
EUR	(+) 200 basis point	(2,875)	(0.49%)
EUR	(-) 200 basis point	-	-
<b>TOTAL (for negative shocks)</b>		<b>2,882</b>	<b>0.50%</b>
<b>TOTAL (for positive shocks)</b>		<b>8,805</b>	<b>1.51%</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**IV. EXPLANATIONS ON EQUITY POSITION RISK**

The Bank does not hold equity position as of 30 June 2021. (31 December 2020 - None).

**V. EXPLANATIONS ON LIQUIDTY RISK and LIQUIDITY COVERAGE RATIO**

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

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

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

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

The Financial Planning, Control and Strategy Department is responsible for calculating the first maturity and second maturity liquidity ratios and reporting to the legal authorities.

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

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

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

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

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

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

**e. Information on liquidity risk reduction techniques**

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

**f. Disclosure regarding use of stress test**

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

In the stress scenarios created, the problems to be experienced on the funding side and the inability to collect the receivables expected to be collected are analyzed. In the liquidity planning process of the bank, an assessment of the situation is made by evaluating the cumulative maturity mismatches according to the maturities under different severity scenarios.

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

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

Regarding the sectors affected by COVID-19, the analysis published by foreign rating agencies and shared with the public were used. The sectors that are expected to be affected the most are ranked from high risk to low risk, and all customers in our Bank were separated by risk groups, evaluated in monitoring activities, stress test analyzes, sectoral concentration analyzes and these evaluations will continue in the coming periods.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**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, 63% of the high quality liquid assets of LCR subject bank accounts with the Central Bank, and 35% 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, 51% of the Bank’s funds consist of loans received and 41% consists of securities issued. There may be fluctuations in the liquidity coverage ratio in the weeks when the share of funds originated from banks within fund sources increases or when medium/long term foreign funds, which are renewed when due, enter the one-month maturity.

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

Current Period 30 June 2021 <sup>(2)</sup>	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	LC+FC	FC	LC+FC	FC
<b>High-quality Liquidity Assets (HLA)</b>				
1 High-quality Liquidity Assets			293,073	241,036
<b>Cash Outflows</b>				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	343,152	161,023	343,152	161,023
6 Operational assets	-	-	-	-
7 Non –operating assets	-	-	-	-
8 Other Junior debt	343,152	161,023	343,152	161,023
9 Secured Debts				
10 Other Cash Outflows	159,747	72,856	71,944	40,435
11 Derivative liabilities and margin liabilities	502	-	502	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	159,245	72,856	71,442	40,435
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	-	-	-	-
<b>16 TOTAL CASH OUTFLOWS</b>			<b>415,096</b>	<b>201,458</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	296,914	160,214	190,708	121,128
19 Other cash inflows	1,761	598	1,761	598
<b>20 TOTAL CASH INFLOWS</b>	<b>298,675</b>	<b>160,812</b>	<b>192,469</b>	<b>121,726</b>
<b>21 TOTAL HLA STOCK</b>			<b>Upper limit applied amount</b>	
			<b>293,073</b>	<b>241,036</b>
<b>22 TOTAL NET CASH OUTFLOWS <sup>(1)</sup></b>			<b>222,627</b>	<b>79,732</b>
<b>23 LIQUIDITY COVERAGE RATION (%)</b>			<b>131.64%</b>	<b>302.31%</b>

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

Prior Period 31 December 2020 <sup>(2)</sup>	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	LC+FC	FC	LC+FC	FC
<b>High-quality Liquidity Assets (HLA)</b>				
1 High-quality Liquidity Assets			251,262	213,615
<b>Cash Outflows</b>				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	368,060	272,019	368,060	272,019
6 Operational assets	-	-	-	-
7 Non –operating assets	-	-	-	-
8 Other Junior debt	368,060	272,019	368,060	272,019
9 Secured Debts				
10 Other Cash Outflows	186,244	118,673	87,191	55,381
11 Derivative liabilities and margin liabilities	39	-	39	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	186,205	118,673	87,152	55,381
14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet liabilities	300	273	300	273
<b>16 TOTAL CASH OUTFLOWS</b>			<b>455,551</b>	<b>327,673</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	389,450	197,649	267,412	170,998
19 Other cash inflows	394	2,486	394	2,486
<b>20 TOTAL CASH INFLOWS</b>	<b>389,844</b>	<b>200,135</b>	<b>267,806</b>	<b>173,484</b>
<b>21 TOTAL HLA STOCK</b>			<b>251,262</b>	<b>213,615</b>
<b>22 TOTAL NET CASH OUTFLOWS <sup>(1)</sup></b>			<b>187,745</b>	<b>154,189</b>
<b>23 LIQUIDITY COVERAGE RATION (%)</b>			<b>133.83%</b>	<b>138.54%</b>

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

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

The maximum and minimum liquidity coverage ratio for the last three months of 2021 and 2020 are presented below.

30 June 2021	Maximum	Week	Minimum	Week	Average
LC	480.04	12.04.2021	201.67	10.05.2021	302.31
LC+FC	188.23	12.04.2021	103.47	10.05.2021	131.64
31 December 2020	Maximum	Week	Minimum	Week	Average
LC	265.78	02.10.2020	93.65	30.10.2020	138.54
LC+FC	231.99	02.10.2020	100.07	30.10.2020	134.52

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

30 June 2021	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC+LC	FC	FC+LC
Average (%)	379	255	185	156
Maximum (%)	822	322	260	210
Minimum (%)	216	208	130	125
31 December 2020	FC	FC+LC	FC	FC+LC
Average (%)	348	277	149	156
Maximum (%)	978	418	209	223
Minimum (%)	162	140	93	109

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

<b>30 June 2021</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Month</b>	<b>3-12 Month</b>	<b>1-5 Year</b>	<b>5 Year and Over</b>	<b>Unclassified<sup>1</sup></b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	17,010	169,566	-	-	-	-	(198)	186,378
Due From Banks	16,440	75,770	-	-	-	-	(159)	92,051
Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>	-	504	-	-	2,723	10,960	-	14,187
Interbank Money Market Placements	-	45,076	20,084	-	-	-	-	65,160
Financial assets at fair value through other comprehensive income	7,659	379	14,002	2,183	523	2,506	-	27,252
Loans <sup>(2)</sup>	-	316,714	289,451	481,748	705,168	55,731	(50,320)	1,798,492
Financial assets measured at amortized cost	-	632	1,692	23,947	129,255	-	(1,977)	153,549
Other Assets	-	25,151	1,721	176	-	-	253,691	280,739
<b>Total Assets</b>	<b>41,109</b>	<b>633,792</b>	<b>326,950</b>	<b>508,054</b>	<b>837,669</b>	<b>69,197</b>	<b>201,037</b>	<b>2,617,808</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	103	330,271	227,016	52,143	441,781	-	-	1,051,314
Funds Borrowed From Money Markets	-	36,199	3,758	8,045	-	-	-	48,002
Marketable Securities Issued	-	1,626	217,676	364,299	250,047	-	-	833,648
Miscellaneous Payables <sup>(5)</sup>	16,015	14,208	-	-	-	-	-	30,223
Other Liabilities <sup>(3),(4)</sup>	16,233	34,352	4,112	2,354	1,580	-	595,990	654,621
<b>Total Liabilities</b>	<b>32,351</b>	<b>416,656</b>	<b>452,562</b>	<b>426,841</b>	<b>693,408</b>	<b>-</b>	<b>595,990</b>	<b>2,617,808</b>
<b>Liquidity Gap</b>	<b>8,758</b>	<b>217,136</b>	<b>(125,612)</b>	<b>81,213</b>	<b>144,261</b>	<b>69,197</b>	<b>(394,953)</b>	<b>-</b>
<b>Net Off-Balance Sheet Liquidity Gap</b>	<b>-</b>	<b>473</b>	<b>-</b>	<b>(5,017)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,544)</b>
Financial Derivative Assets <sup>(6)</sup>	-	54,487	-	52,483	-	-	-	106,970
Financial Derivative Liabilities <sup>(6)</sup>	-	(54,014)	-	(57,500)	-	-	-	(111,514)
Non-cash Loans	-	34,721	37,670	125,506	148,907	-	108,845	455,649

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

<sup>(2)</sup> Finance lease receivables are included.

<sup>(3)</sup> Borrowers' funds is presented in the other liabilities.

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

<sup>(5)</sup> Presented in other liabilities at financial statements.

<sup>(6)</sup> Includes asset purchase and sale commitments

<sup>(7)</sup> Includes derivative financial assets

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

<b>31 December 2020</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Month</b>	<b>3-12 Month</b>	<b>1-5 Year</b>	<b>5 Year and Over</b>	<b>Unclassified<sup>1</sup></b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	21,269	133,831	-	-	-	-	(178)	154,922
Due From Banks	16,876	104,635	-	-	-	-	(155)	121,356
Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>	-	493	-	-	-	7,405	-	7,898
Interbank Money Market Placements	-	23,011	-	-	-	-	-	23,011
Financial assets at fair value through other comprehensive income	7,659	76	275	20,341	-	2,499	-	30,850
Loans <sup>(2)</sup>	-	353,688	160,378	486,835	430,039	61,995	(42,190)	1,450,745
Financial assets measured at amortized cost	-	544	1,226	455	114,551	-	(1,755)	115,021
Other Assets	-	18,848	632	-	-	-	256,126	275,606
<b>Total Assets</b>	<b>45,804</b>	<b>635,126</b>	<b>162,511</b>	<b>507,631</b>	<b>544,590</b>	<b>71,899</b>	<b>211,848</b>	<b>2,179,409</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	120	187,932	148,684	85,967	380,521	-	-	803,224
Funds Borrowed From Money Markets	-	49,634	1,064	2,565	-	-	-	53,263
Marketable Securities Issued	-	1,412	621	185,485	459,498	-	-	647,016
Miscellaneous Payables <sup>(5)</sup>	33,989	1,497	9,318	-	-	-	-	44,804
Other Liabilities <sup>(3),(4)</sup>	23,510	22,556	10,658	51	111	-	574,216	631,102
<b>Total Liabilities</b>	<b>57,619</b>	<b>263,031</b>	<b>170,345</b>	<b>274,068</b>	<b>840,130</b>	<b>-</b>	<b>574,216</b>	<b>2,179,409</b>
<b>Liquidity Gap</b>	<b>(11,815)</b>	<b>372,095</b>	<b>(7,834)</b>	<b>233,563</b>	<b>(295,540)</b>	<b>71,899</b>	<b>(362,368)</b>	<b>-</b>
<b>Net Off-Balance Sheet Liquidity Gap</b>	<b>-</b>	<b>208</b>	<b>(1,459)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,251)</b>
Financial Derivative Assets <sup>(6)</sup>	-	38,899	57,797	-	-	-	-	96,696
Financial Derivative Liabilities <sup>(6)</sup>	-	(38,691)	(59,256)	-	-	-	-	(97,947)
<b>Non-cash Loans</b>	<b>-</b>	<b>375</b>	<b>39,466</b>	<b>153,829</b>	<b>35,007</b>	<b>-</b>	<b>103,949</b>	<b>332,626</b>

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

<sup>(2)</sup> Finance lease receivables are included.

<sup>(3)</sup> Borrowers' funds is presented in the other liabilities.

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

<sup>(5)</sup> Presented in other liabilities at financial statements.

<sup>(6)</sup> Includes asset purchase and sale commitments

<sup>(7)</sup> Includes derivative financial assets

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**j. Breakdown of contractual cash outflows of financial liabilities according to their remaining maturities**

<b>Current Period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Deposits	-	-	-	-	-	-
Funds borrowed from other financial inst.	331,404	229,724	65,169	455,802	-	1,082,099
Funds from interbank money market	36,228	3,785	8,103	-	-	48,116
Financial leasing payables	8	8	83	91	-	190
Marketable securities issued	2,134	221,414	383,293	255,743	-	862,584
Current accounts of customers	22,561	-	-	-	-	22,561
Miscellaneous Payables	30,224	-	-	-	-	30,224
<b>Total</b>	<b>422,559</b>	<b>454,931</b>	<b>456,648</b>	<b>711,636</b>	<b>-</b>	<b>2,045,774</b>

<b>Prior Period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Deposits	-	-	-	-	-	-
Funds borrowed from other financial inst.	188,700	150,257	99,427	399,789	-	838,173
Funds from interbank money market	49,841	1,096	2,695	-	-	53,632
Financial leasing payables	8	15	70	129	-	222
Marketable securities issued	1,824	3,771	200,901	472,993	-	679,489
Current accounts of customers	24,513	-	-	-	-	24,513
Miscellaneous Payables	35,491	9,442	-	-	-	44,933
<b>Total</b>	<b>300,377</b>	<b>164,581</b>	<b>303,093</b>	<b>872,911</b>	<b>-</b>	<b>1,640,962</b>

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

<b>Current Period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Forward Transactions-Buy	2,391	-	52,483	-	-	54,874
Forward Transactions-Sell	(2,389)	-	(57,500)	-	-	(59,889)
Swap Transactions-Buy	52,096	-	-	-	-	52,096
Swap Transactions-Sell	(51,625)	-	-	-	-	(51,625)
Futures Transactions-Buy	-	-	-	-	-	-
Futures Transactions-Sell	-	-	-	-	-	-
Options-Buy	-	-	-	-	-	-
Options-Sell	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>473</b>	<b>-</b>	<b>(5,017)</b>	<b>-</b>	<b>-</b>	<b>(4,544)</b>

<b>Prior Period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Forward Transactions-Buy	2,246	-	-	-	-	2,246
Forward Transactions-Sell	(2,226)	-	-	-	-	(2,226)
Swap Transactions-Buy	36,653	57,797	-	-	-	94,450
Swap Transactions-Sell	(36,465)	(59,256)	-	-	-	(95,721)
Futures Transactions-Buy	-	-	-	-	-	-
Futures Transactions-Sell	-	-	-	-	-	-
Options-Buy	-	-	-	-	-	-
Options-Sell	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>208</b>	<b>(1,459)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,251)</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**VI. EXPLANATIONS ON LEVERAGE RATIO**

Unconsolidated leverage ratio was realized as 19.0 % (31 December 2020 - 21.1%). The increase occurred in the on-balance sheet assets and off-balance sheet transactions led to a change in leverage compared to the previous period. Regulation has been linked to the provision of the minimum leverage ratio of 3%.

	<b>Current Period <sup>(1)</sup></b>	<b>Prior Period <sup>(1)</sup></b>
<b>Asset On The Balance Sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	2,520,856	2,220,580
(Assets deducted from core capital)	(7,237)	(5,665)
<b>Total risk amount for assets on the balance sheet</b>	<b>2,513,619</b>	<b>2,214,915</b>
<b>Derivative Financial Instruments and Loan Derivatives</b>		
Renewal cost of derivative financial instruments and loan derivatives	180	174
Potential credit risk amount of derivative financial instruments and loan derivatives	1,745	745
<b>Total risk amount of derivative financial instruments and loan derivatives</b>	<b>1,925</b>	<b>919</b>
<b>Financing Transactions With Securities Or Goods Warranties</b>		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	67,130	10,410
Risk amount arising from intermediated transactions	-	-
<b>Total risk amount of financing transactions with securities or goods warranties</b>	<b>67,130</b>	<b>10,410</b>
<b>Off-the-Balance Sheet Transactions</b>		
Gross nominal amount of the off-the-balance sheet transactions	455,644	413,523
Adjustment amount arising from multiplying by the credit conversion rate	-	-
<b>Total risk amount for off-the-balance sheet transactions</b>	<b>455,644</b>	<b>413,523</b>
<b>Capital and Total Risk</b>		
Core capital	576,257	556,771
Total risk amount	3,038,318	2,639,767
<b>Leverage Ratio</b>		
<b>Leverage ratio</b>	<b>19.0%</b>	<b>21.1%</b>

<sup>(1)</sup> Arithmetic average of last three months including reporting period.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

---

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

**VII. EXPLANATIONS ON THE RISK MANAGEMENT**

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

**a. Bank’s risk management approach**

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

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

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

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

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

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

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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
	30 June 2021	31 December 2020	30 June 2021
Credit risk (excluding counterparty credit risk) (CCR)	2,460,078	2,009,956	196,806
Of which standardised approach (SA)	2,460,078	2,009,956	196,806
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	31,876	5,575	2,550
Of which standardised approach for counterparty credit risk (SA-CCR)	31,876	5,575	2,550
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	31,235	25,366	2,499
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	47,913	37,100	3,833
Of which standardised approach (SA)	47,913	37,100	3,833
Of which internal model approaches (IMM)	-	-	-
Operational risk	168,175	141,044	13,454
Of which Basic Indicator Approach	168,175	141,044	13,454
Of which Standardised Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>Total</b>	<b>2,739,277</b>	<b>2,219,041</b>	<b>219,142</b>

**c. Explanations on Credit Risk**

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

Risk limits are defined by Board of Directors in such a manner that covers all possible important risk components, in accordance with the Bank's operations and the size and complexity of products and services. The care is taken to ensure that the risk limits are in line with market expectations and reflect the Bank's risk appetite and Bank's strategies. The credit policies are established in consistence with risk limits.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

When determining Bank’s credit risk profile, diversification methods are applied in order to prevent concentrations. The choice of customers are done in accordance with policies and risk limits. Besides, the capability of the customer to pay via its cash flows generated from its own activities are taken into consideration.

Risk rating models are utilised to discriminate borrowers in terms of their credibilities.

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

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

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

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.

**c.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	47,096	1,801,716	(50,320)	1,798,492
2	Debt securities	-	196,461	(2,083)	194,378
3	Off-balance sheet exposures	-	477,981	(4,388)	473,593
	<b>Total</b>	<b>47,096</b>	<b>2,476,158</b>	<b>(56,791)</b>	<b>2,466,463</b>

	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	36,077	1,456,858	(42,190)	1,450,745
2	Debt securities	-	155,031	(2,221)	152,810
3	Off-balance sheet exposures	-	355,059	(9,539)	345,520
	<b>Total</b>	<b>36,077</b>	<b>1,966,948</b>	<b>(53,950)</b>	<b>1,949,075</b>

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**c.2) CR2 – Changes in stock of defaulted loans and debt securities**

	<b>Current period</b>	<b>Prior Period</b>
<b>1 Beginning Balance</b>	<b>36,077</b>	<b>35,454</b>
2 Additions	12,573	53
3 Receivables that are not re-default	-	-
4 Write-offs	-	-
5 Other changes <sup>1</sup>	(1,554)	570
<b>Ending Balance(1+2-3-4±5)</b>	<b>47,096</b>	<b>36,077</b>

<sup>1)</sup> Includes collection from the non-performing loans.

**c.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**

	<b>Current Period</b>			<b>Prior Period</b>		
	<b>NPL</b>	<b>Specific Provision</b>	<b>Write-offs</b>	<b>NPL</b>	<b>Specific Provision</b>	<b>Write-offs</b>
Domestic	47,096	25,185	-	36,077	19,831	-
European countries	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-
OECD countries	-	-	-	-	-	-
Off-shore banking regions	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>47,096</b>	<b>25,185</b>	<b>-</b>	<b>36,077</b>	<b>19,831</b>	<b>-</b>

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**Non-Performing loans and specific provision by sectoral breakdown**

	Current Period			Prior Period		
	NPL	Specific Provision	Write-offs	NPL	Specific Provision	Write-offs
<b>Agriculture</b>	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-
Forestry	-	-	-	-	-	-
Fishery	-	-	-	-	-	-
<b>Manufacturing</b>	<b>3,226</b>	<b>3,124</b>	-	<b>3,292</b>	<b>3,197</b>	-
Mining and Quarrying	-	-	-	-	-	-
Production	3,226	3,124	-	3,292	3,197	-
Electricity, Gas and Water	-	-	-	-	-	-
<b>Construction</b>	<b>25,606</b>	<b>19,845</b>	-	<b>13,855</b>	<b>13,855</b>	-
<b>Services</b>	<b>18,264</b>	<b>2,216</b>	-	<b>18,930</b>	<b>2,779</b>	-
Wholesale and Retail Trade	813	271	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-
Transportation and Telecom	17,451	1,945	-	18,930	2,779	-
Financial Institutions	-	-	-	-	-	-
Real Estate and Rental Services	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-
<b>Others</b>	-	-	-	-	-	-
<b>Total</b>	<b>47,096</b>	<b>25,185</b>	-	<b>36,077</b>	<b>19,831</b>	-

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

	Current Period	Prior Period
Up to 3 Months	601	538
3-12 Months	813	-
1-3 Years	46,283	36,077
3-5 Years	-	-
Over 5 Year	-	-
<b>Total</b>	<b>47,697</b>	<b>36,615</b>

**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	116,514	83,244
Non-performing loans that have been restructured or rescheduled	20,677	30,581
<b>Total</b>	<b>137,191</b>	<b>113,825</b>

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**c.4) Qualitative requirements to be disclosed regarding Credit risk mitigation techniques and CR3 – Explanations on Credit risk mitigation techniques**

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

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

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

	<b>Current Period</b>	<b>Exposures unsecured: carrying amount (According to TAS)</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by collateral, of which: secured amount</b>	<b>Exposures secured by financial guarantees</b>	<b>Exposures secured by financial guarantees, of which: secured amount</b>	<b>Exposures secured by credit derivatives</b>	<b>Exposures secured by credit derivatives, of which: secured amount</b>
1	Loans and lease receivables	1,675,941	122,551	73,144	72,819	48,003	-	-
2	Debt securities	194,378	-	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>1,870,319</b>	<b>122,551</b>	<b>73,144</b>	<b>72,819</b>	<b>48,003</b>	-	-
4	Defaulted items	47,096	-	-	-	-	-	-

	<b>Prior Period</b>	<b>Exposures unsecured: carrying amount (According to TAS)</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by collateral, of which: secured amount</b>	<b>Exposures secured by financial guarantees</b>	<b>Exposures secured by financial guarantees, of which: secured amount</b>	<b>Exposures secured by credit derivatives</b>	<b>Exposures secured by credit derivatives, of which: secured amount</b>
1	Loans and lease receivables	1,342,576	108,169	61,085	13,351	9,194	-	-
2	Debt securities	152,810	-	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>1,495,386</b>	<b>108,169</b>	<b>61,085</b>	<b>13,351</b>	<b>9,194</b>	-	-
4	Defaulted items	36,077	-	-	-	-	-	-

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**CR4: 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	Off balance sheet amount	On balance sheet amount	Off balance sheet amount	RWA <sup>1</sup>	RWA Density
1	Receivables from Central Governments or Central Banks	268,858	-	268,858	-	75,540	28.10%
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	170,155	114,450	195,168	71,488	184,862	69.33%
7	Corporate receivables	1,588,758	340,248	1,620,430	302,336	1,721,545	89.53%
8	Retail receivables	14,797	951	55,945	476	11,454	20.30%
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	0.00%
10	Collateralized by trading mortgages receivables	122,551	-	122,551	-	85,979	70.16%
11	Non-performing receivables	47,096	-	21,911	-	26,732	122.00%
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	132,357	4,780	133,926	4,780	86,220	62.16%
15	Investments in nature of Collective Investment funds	13,683	17,552	13,683	17,552	31,235	100.00%
16	Other receivables	271,947	-	271,947	-	260,087	95.64%
17	Equity security investments	7,659	-	7,659	-	7,659	100.00%
	<b>Total</b>	<b>2,637,861</b>	<b>477,981</b>	<b>2,712,078</b>	<b>396,632</b>	<b>2,491,313</b>	<b>80.14%</b>

	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	Off balance sheet amount	On balance sheet amount	Off balance sheet amount	RWA <sup>1</sup>	RWA Density
1	Receivables from Central Governments or Central Banks	214,848	-	214,848	-	49,694	23.13%
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	0.00%
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	0.00%
4	Receivables from Multilateral Development Banks	-	-	-	-	-	0.00%
5	Receivables from International Organizations	-	-	-	-	-	0.00%
6	Receivables from Banks and Brokerage Corporation	96,825	96,265	123,971	62,394	122,451	65.70%
7	Corporate receivables	1,328,359	235,536	1,337,309	200,056	1,351,717	87.92%
8	Retail receivables	4,343	825	22,403	413	3,511	15.39%
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	0.00%
10	Collateralized by trading mortgages receivables	108,169	-	108,169	-	77,627	71.76%
11	Non-performing receivables	36,077	-	16,246	-	24,274	149.42%
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	0.00%
13	Securities collateralized by mortgages	-	-	-	-	-	0.00%
14	Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	121,510	4,472	123,077	4,472	118,644	93.02%
15	Investments in nature of Collective Investment funds	7,405	17,961	7,405	17,961	25,366	100.00%
16	Other receivables	268,139	-	268,139	-	254,379	94.87%
17	Equity security investments	7,659	-	7,659	-	7,659	100.00%
	<b>Total</b>	<b>2,193,334</b>	<b>355,059</b>	<b>2,229,226</b>	<b>285,296</b>	<b>2,035,322</b>	<b>80.94%</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**CR5 – Standardised approach – exposures by risk classes and risk weights**

	Current Period	0%	10%	20%	50%	75%	100%	150%	200%	Others	Total credit risk amount (after CRM and CCF)
1	Receivables from Central Governments or Central Banks	198,321	-	-	-	-	70,537	-	-	-	268,858
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	-	-	-	91,953	-	174,703	-	-	-	266,656
7	Corporate receivables	-	-	101,897	176,067	-	1,644,802	-	-	-	1,922,766
8	Retail receivables	-	-	-	-	56,421	-	-	-	-	56,421
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-	-
10	Collateralized by trading mortgages receivables	-	-	-	73,144	-	49,407	-	-	-	122,551
11	Non-performing receivables	-	-	-	5,863	-	543	15,505	-	-	21,911
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.	-	-	58,250	11,772	-	68,684	-	-	-	138,706
15	Investments in nature of Collective Investment funds	-	-	-	-	-	31,235	-	-	-	31,235
16	Equity security investments	-	-	-	-	-	7,659	-	-	-	7,659
17	Other receivables	11,860	-	-	-	-	260,087	-	-	-	271,947
	<b>Total</b>	<b>210,181</b>	-	<b>160,147</b>	<b>358,799</b>	<b>56,421</b>	<b>2,307,657</b>	<b>15,505</b>	-	-	<b>3,108,710</b>

	Prior Period	0%	10%	20%	50%	75%	100%	150%	200%	Others	Total credit risk amount (after CRM and CCF)
1	Receivables from Central Governments or Central Banks	169,756	-	-	-	-	45,092	-	-	-	214,848
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-	-
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-	-
4	Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from Banks and Brokerage Corporation	-	-	16,699	42,659	-	127,007	-	-	-	186,365
7	Corporate receivables	-	-	155,615	104,512	-	1,268,283	-	-	8,955	1,537,365
8	Retail receivables	-	-	-	-	4,755	-	-	-	18,061	22,816
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-	-
10	Collateralized by trading mortgages receivables	-	-	-	61,085	-	47,084	-	-	-	108,169
11	Non-performing receivables	-	-	-	95	-	-	16,151	-	-	16,246
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables and corporate receivables from Banks and Brokerage Corp.	-	-	2,520	13,777	-	111,252	-	-	-	127,549
15	Investments in nature of Collective Investment funds	-	-	-	-	-	25,366	-	-	-	25,366
16	Equity security investments	-	-	-	-	-	7,659	-	-	-	7,659
17	Other receivables	13,760	-	-	-	-	254,379	-	-	-	268,139
	<b>Total</b>	<b>183,516</b>	-	<b>174,834</b>	<b>222,128</b>	<b>4,755</b>	<b>1,886,122</b>	<b>16,151</b>	-	<b>27,016</b>	<b>2,514,522</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**d. 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.

**d.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)	504	1,065		1.40	1,569	1,569
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)					97,832	26,075
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						
	<b>Total</b>						<b>27,644</b>

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach-CCR (for derivatives)	493	974		1.40	1,567	735
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)					54,160	4,791
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
	<b>Total</b>						<b>5,526</b>

**d.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	1,569	4,232	1,567	49
Total subject to the CVA capital charge	<b>1,569</b>	<b>4,232</b>	<b>1,567</b>	<b>49</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**d.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	-	-	-	-	-	-	1,569	-	1,569
Corporate receivables	-	-	-	-	-	-	56,684	-	56,684
Retail receivables	-	-	-	-	41,148	-	-	-	41,148
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	-	-	-	-	-	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>41,148</b>	<b>58,253</b>	-	-	<b>99,401</b>

Prior 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	-	-	4,134	-	-	23,011	-	-	27,145
Corporate receivables	-	-	-	-	-	-	-	8,955	8,955
Retail receivables	-	-	-	-	18,060	-	-	-	18,060
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	-	-	-	1,567	-	-	-	-	1,567
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>4,134</b>	<b>1,567</b>	<b>18,060</b>	<b>23,011</b>	-	<b>8,955</b>	<b>55,727</b>

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**d.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	-	-	-	-	25,013	-
Government bond/bill – other	-	-	-	-	-	18,439
Public institutions bond/bill	-	-	-	-	-	10,951
Corporate bond/bill	-	-	-	-	-	43,429
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>25,013</b>	<b>72,819</b>

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	-	-	-	-	-	-
Cash- foreign currency	-	-	-	-	-	-
Government bond/bill – local	-	-	-	-	23,011	4,133
Government bond/bill – other	-	-	-	-	-	-
Public institutions bond/bill	-	-	-	-	-	5,591
Corporate bond/bill	-	-	-	-	-	21,425
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>23,011</b>	<b>31,149</b>

**d.5) CCR6 – Credit derivatives**

The Bank does not have credit derivatives.

**d.6) CCR8 – Exposures to central counterparties**

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>	-	<b>540</b>	-	<b>540</b>
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	27,016	540
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	27,016	540
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-
<b>Exposures to non-QCCPs (total)</b>	-	-	-	-
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**e. 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.

**f. Explanations on market risk**

The risk principles, policies and risk limits related to the management of market risk are approved by the Board of Directors and reviewed on a regular basis. The Bank's Senior Management performs day to day management of the market risk in accordance with the limits assigned by the Board of Directors. The Bank is exposed to market risk as a result of fluctuations in foreign exchange rates, interest rates, and market prices of stocks. Exchange rate risk and interest rate risk are evaluated as the two most important components of market risk. The Bank engages in derivative transactions for hedge purposes when found necessary. Market risk is calculated by the "standard method". For legal reporting, standard method is utilised.

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

		<b>Current Period RWA</b>	<b>Prior Period RWA</b>
	<b>Outright products</b>		
1	Interest rate risk (general and specific)	5,500	2,925
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	42,413	34,175
4	Commodity risk	-	-
	<b>Options</b>		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	<b>Securitisation</b>	-	-
	<b>Total</b>	<b>47,913</b>	<b>37,100</b>

**g. 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.

<b>Current Period</b>	<b>2 Prior Period Amount</b>	<b>Period Amount</b>	<b>Current Period Amount</b>	<b>Total/ Positive GI year number</b>	<b>Ratio (%)</b>	<b>Total</b>
Gross Revenue	82,185	97,898	88,998	89,694	15	13,454
Amount Subject to Operational Risk (Total*12,5)						<b>168,175</b>

<b>Prior Period</b>	<b>2 Prior Period Amount</b>	<b>Period Amount</b>	<b>Current Period Amount</b>	<b>Total/ Positive GI year number</b>	<b>Ratio (%)</b>	<b>Total</b>
Gross Revenue	45,588	82,185	97,898	75,224	15	11,284
Amount Subject to Operational Risk (Total*12,5)						<b>141,044</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**VIII. 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	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
<b>Financial Assets</b>	<b>2,389,723</b>	<b>1,948,081</b>	<b>2,393,567</b>	<b>1,947,198</b>
Interbank money market placements	65,160	23,011	65,160	23,011
Banks	92,210	121,511	92,210	121,511
Cash and balances at Central Bank	186,576	155,100	186,576	155,100
Derivative Financial assets	504	493	504	493
Financial assets at fair value through profit or loss	13,683	7,405	13,683	7,405
Financial assets at fair value through other comprehensive income	27,252	30,850	27,252	30,850
Financial assets measured at amortised cost	155,526	116,776	164,095	123,407
Loans	1,848,812	1,492,935	1,844,087	1,485,421
<b>Financial Liabilities</b>	<b>1,986,383</b>	<b>1,574,249</b>	<b>1,988,298</b>	<b>1,565,880</b>
Banks' deposits	-	-	-	-
Other deposits	-	-	-	-
Funds borrowed from other fin. Institutions	1,051,314	803,224	1,051,267	798,463
Securities issued	833,648	647,016	835,610	643,397
Miscellaneous Payables	30,223	44,804	30,223	44,804
Payables to money market	48,002	53,263	48,002	53,274
Derivative financial liabilities	635	1,430	635	1,430
Borrowers' Funds	22,561	24,512	22,561	24,512

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**Fair value hierarchy:**

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

Aforesaid fair value hierarchy is determined as follows:

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

<b>30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets	-	504	-	504
Financial assets at fair value through profit or loss	2,723	10,960	-	13,683
Financial assets at fair value through other comprehensive income	19,593	7,659	-	27,252
<b>Total Assets</b>	<b>22,316</b>	<b>19,123</b>	-	<b>41,439</b>
Derivative financial liabilities	-	635	-	635
<b>Total liabilities</b>	-	<b>635</b>	-	<b>635</b>

<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets	-	493	-	493
Financial assets at fair value through profit or loss	1,472	5,933	-	7,405
Financial assets at fair value through other comprehensive income	23,191	7,659	-	30,850
<b>Total Assets</b>	<b>24,663</b>	<b>14,085</b>	-	<b>38,748</b>
Derivative financial liabilities	-	1,430	-	1,430
<b>Total liabilities</b>	-	<b>1,430</b>	-	<b>1,430</b>

There are no transfers between the levels.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**IX. 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.

**X. EXPLANATIONS ON OPERATING SEGMENTS**

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
<b>Total Assets</b>	<b>1,798,492</b>	<b>819,316</b>	<b>2,617,808</b>
<b>Total Liabilities</b>	<b>56,686</b>	<b>2,561,122</b>	<b>2,617,808</b>
Net Interest Income/(Loss)	79,460	(31,165)	48,295
Net Fee and Commission Income/(Loss)	1,667	1,695	3,362
Trading Gain/(Loss)	168	6,816	6,984
Other Operating Segments Gain/(Loss)	7,823	1,789	9,612
Provisions for Loan Losses and Other Receivables(-)	(10,986)	(246)	(11,232)
Other Operating Expense (-)	-	(23,086)	(23,086)
<b>Profit Before Tax</b>	<b>78,132</b>	<b>(44,197)</b>	<b>33,935</b>
Tax Provision	(18,226)	10,310	(7,916)
<b>Net Profit / Loss</b>	<b>59,906</b>	<b>(33,887)</b>	<b>26,019</b>

<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
<b>Total Assets</b>	<b>1,448,990</b>	<b>730,419</b>	<b>2,179,409</b>
<b>Total Liabilities</b>	<b>78,725</b>	<b>2,100,684</b>	<b>2,179,409</b>
Net Interest Income/(Loss)	51,041	(15,045)	35,996
Net Fee and Commission Income/(Loss)	1,464	391	1,855
Trading Gain/(Loss)	-	2,387	2,387
Other Operating Segments Gain/(Loss)	1,403	1,546	2,949
Provisions for Loan Losses and Other Receivables(-)	(6,371)	(1,374)	(7,745)
Other Operating Expense (-)	-	(21,173)	(21,173)
<b>Profit Before Tax</b>	<b>47,537</b>	<b>(33,268)</b>	<b>14,269</b>
Tax Provision	(10,501)	7,349	(3,152)
<b>Net Profit / Loss</b>	<b>37,036</b>	<b>(25,919)</b>	<b>11,117</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
Cash/Foreign currency	10	5	10	4
CBRT	14,482	172,079	6,073	149,013
Other	-	-	-	-
<b>Total</b>	<b>14,492</b>	<b>172,084</b>	<b>6,083</b>	<b>149,017</b>

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

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
Demand Unrestricted Amount <sup>(1)</sup>	14,482	2,513	6,073	15,182
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount <sup>(2)</sup>	-	169,566	-	133,831
<b>Total</b>	<b>14,482</b>	<b>172,079</b>	<b>6,073</b>	<b>149,013</b>

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

<sup>(2)</sup> The blocked reserve requirement at Central Bank.

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

The reserve rates for TL liabilities vary between 3% and 8% according to their maturities as of 30 June 2021 (31 December 2020 - between 1% and 6%). The reserve rates for foreign currency liabilities vary between 5% and 21% according to their maturities as of 30 June 2021 (31 December 2020 - between 5% and 21%).

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

- a.** As of 30 June 2021, the Bank has no financial assets at fair value through profit or loss subject to repo transactions and given as collateral/blocked (31 December 2020 - None).

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**b. Financial assets at fair value through profit or loss**

	30 June 2021	31 December 2020
<b>Debt Securities</b>	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
<b>Share Certificates / Investment Funds</b>	<b>13,683</b>	<b>7,433</b>
Quoted on Stock Exchange	-	-
Not Quoted	13,683	7,433
<b>Impairment Provision (-)</b>	-	<b>(28)</b>
<b>Total</b>	<b>13,683</b>	<b>7,405</b>

**c. Positive differences related to derivative financial assets**

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
Forward transactions	-	2	16	-
Swap transactions	-	502	477	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	<b>504</b>	<b>493</b>	-

**3. Information on banks**

**a. Information on banks**

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
<b>Banks</b>	<b>18,103</b>	<b>74,107</b>	<b>2,522</b>	<b>118,989</b>
Domestic	18,103	60,783	2,522	89,788
Foreign	-	13,324	-	29,201
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>18,103</b>	<b>74,107</b>	<b>2,522</b>	<b>118,989</b>

**b. Information on foreign banks accounts**

	Unrestricted Amount		Restricted Amount	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
European Union Countries	4,756	20,656	-	-
USA, Canada	7,015	6,412	-	-
OECD Countries <sup>1</sup>	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	1,553	2,133	-	-
<b>Total</b>	<b>13,324</b>	<b>29,201</b>	-	-

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

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

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
Collateral / Blocked	7,565	-	6,731	-
Repurchase transaction	-	-	4,133	-
<b>Total</b>	<b>7,565</b>	<b>-</b>	<b>10,864</b>	<b>-</b>

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

	30 June 2021	31 December 2020
<b>Debt Securities</b>	<b>19,593</b>	<b>23,191</b>
Quoted on Stock Exchange	19,593	23,191
Not Quoted	-	-
<b>Share Certificates</b>	<b>7,659</b>	<b>7,659</b>
Quoted on Stock Exchange	-	-
Not Quoted	7,659	7,659
<b>Impairment Provision (-)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>27,252</b>	<b>30,850</b>

**5. Information on loans**

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

	30 June 2021		31 December 2020	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	<b>-</b>	<b>63,336</b>	<b>-</b>	<b>44,749</b>
Legal Entities	-	63,336	-	44,749
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loans Granted to Employees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total<sup>(1)</sup></b>	<b>-</b>	<b>63,336</b>	<b>-</b>	<b>44,749</b>

<sup>(1)</sup> The bank has no cash loan was provided with a counter-guarantee of Parent Bank (31 December 2020 - None).

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**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**

30 June 2021	Standard Loans	Loans Under Close Monitoring		
		Not under the scope of restructuring	Restructured Loans	
Cash Loans <sup>(1)</sup>			Modifications on agreement conditions	Refinancing
<b>Non-specialized Loans</b>	<b>1,515,732</b>	<b>46,919</b>	<b>116,514</b>	<b>-</b>
Loans given to enterprises	386,026	27,980	-	-
Export Loans	19,568	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	262,994	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	847,144	18,939	116,514	-
<b>Specialized Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,515,732</b>	<b>46,919</b>	<b>116,514</b>	<b>-</b>

<sup>(1)</sup> TL 47,096 non-performing loans are not included.

31 December 2020	Standard Loans	Loans Under Close Monitoring		
		Not under the scope of restructuring	Restructured Loans	
Cash Loans <sup>(1)</sup>			Modifications on agreement conditions	Refinancing
<b>Non-specialized Loans</b>	<b>1,229,498</b>	<b>35,947</b>	<b>83,244</b>	<b>-</b>
Loans given to enterprises	328,630	35,947	11,804	-
Export Loans	15,163	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	280,369	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	605,336	-	71,440	-
<b>Specialized Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,229,498</b>	<b>35,947</b>	<b>83,244</b>	<b>-</b>

<sup>(1)</sup> TL 36,077 non-performing loans are not included.

Expected Credit Loss	30 June 2021		31 December 2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	10,285	-	7,039	-
Significant Increase in Credit Risk	-	14,193	-	14,439
<b>Total</b>	<b>10,285</b>	<b>14,193</b>	<b>7,039</b>	<b>14,439</b>

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

Number of modifications made to extend payment plan	30 June 2021		31 December 2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
Extended by 1 or 2 times	-	116,514	-	83,244
Extended by 3,4 or 5 times	-	-	-	-
Extended by more than 5 times	-	-	-	-
<b>Total</b>	-	<b>116,514</b>	-	<b>83,244</b>

Extended period of time	30 June 2021		31 December 2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
0 - 6 Months	-	-	-	-
6 - 12 Months	-	-	-	-
1 - 2 Years	-	25,915	-	29,753
2 - 5 Years	-	90,599	-	53,491
5 Years and over	-	-	-	-
<b>Total</b>	-	<b>116,514</b>	-	<b>83,244</b>

**c. Breakdown of loans according to their maturities**

30 June 2021	Standard Loans	Loans Under Close Monitoring	
		Not under the scope of restructuring	Restructured Loans
Short-Term Loans	661,973	28,581	-
Medium and Long-Term Loans	853,759	18,338	116,514
<b>Total</b>	<b>1,515,732</b>	<b>46,919</b>	<b>116,514</b>

31 December 2020	Standard Loans	Loans Under Close Monitoring	
		Not under the scope of restructuring	Restructured Loans
Short-Term Loans	430,558	17,893	-
Medium and Long-Term Loans	798,940	18,054	83,244
<b>Total</b>	<b>1,229,498</b>	<b>35,947</b>	<b>83,244</b>

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

None (31 December 2020 - None).

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

<b>30 June 2021</b>	<b>Short Term</b>	<b>Medium- Long Term</b>	<b>Total</b>
<b>Commercial installment loans-LC</b>	-	<b>10,414</b>	<b>10,414</b>
Business residential loans	-	-	-
Automobile loans	-	10,414	10,414
Consumer loans	-	-	-
Other	-	-	-
<b>Commercial installment loans- Indexed to FC</b>	-	<b>18,702</b>	<b>18,702</b>
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	18,702	18,702
Other	-	-	-
<b>Commercial installment loans - FC</b>	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-LC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Corporate credit cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Overdraft accounts-LC (Commercial customer)</b>	-	-	-
<b>Overdraft accounts-FC (Commercial customer)</b>	-	-	-
<b>Total</b>	-	<b>29,116</b>	<b>29,116</b>

<b>31 December 2020</b>	<b>Short Term</b>	<b>Medium- Long Term</b>	<b>Total</b>
<b>Commercial installment loans-LC</b>	-	<b>7,243</b>	<b>7,243</b>
Business residential loans	-	-	-
Automobile loans	-	7,243	7,243
Consumer loans	-	-	-
Other	-	-	-
<b>Commercial installment loans- Indexed to FC</b>	-	<b>18,676</b>	<b>18,676</b>
Business residential loans	-	-	-
Automobile loans	-	353	353
Consumer loans	-	18,323	18,323
Other	-	-	-
<b>Commercial installment loans - FC</b>	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-LC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Corporate credit cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Overdraft accounts-LC (Commercial customer)</b>	-	-	-
<b>Overdraft accounts-FC (Commercial customer)</b>	-	-	-
<b>Total</b>	-	<b>25,919</b>	<b>25,919</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
Public	-	-
Private	1,726,261	1,384,766
<b>Total</b>	<b>1,726,261</b>	<b>1,384,766</b>

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
Domestic Loans	1,280,174	994,890
Foreign Loans	446,087	389,876
<b>Total</b>	<b>1,726,261</b>	<b>1,384,766</b>

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

None (31 December 2020 - None).

**i. Specific provisions accounted for loans**

	<b>30 June 2021</b>	<b>31 December 2020</b>
Loans with limited collectability	6,480	-
Loans with doubtful collectability	-	-
Uncollectible loans	18,705	19,831
<b>Total</b>	<b>25,185</b>	<b>19,831</b>

**j. Information on non-performing loans**

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current Period</b>			
Gross amounts before specific reserves	-	-	<b>20,677</b>
Loans under restructuring	-	-	20,677
<b>Prior period</b>			
Gross amounts before specific reserves	-	-	<b>30,581</b>
Loans under restructuring	-	-	30,581

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

<b>30 June 2021</b>	<b>III. Group Loans with limited collectability</b>	<b>IV. Group Loans with doubtful collectability</b>	<b>V. Group Uncollectible loans</b>
<b>Prior period end balance</b>	-	-	<b>36,077</b>
Additions (+)	12,568	-	1,581
Transfers from other categories of loans under follow-up (+)	-	-	-
Transfers to other categories of loans under follow-up (-)	-	-	-
Collections (-)	-	-	(3,130)
Deducted from the record (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	<b>12,568</b>	-	<b>34,528</b>
Provision (-)	(6,480)	-	(18,705)
<b>Net Balance on balance sheet</b>	<b>6,088</b>	-	<b>15,823</b>

<b>31 December 2020</b>	<b>III. Group Loans with limited collectability</b>	<b>IV. Group Loans with doubtful collectability</b>	<b>V. Group Uncollectible loans</b>
<b>Prior period end balance</b>	-	<b>30,011</b>	<b>5,443</b>
Additions (+)	-	3,924	53
Transfers from other categories of loans under follow-up (+)	-	-	30,601
Transfers to other categories of loans under follow-up (-)	-	(30,601)	-
Collections (-)	-	(3,334)	(20)
Deducted from the record (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	-	-	<b>36,077</b>
Provision (-)	-	-	(19,831)
<b>Net Balance on balance sheet</b>	-	-	<b>16,246</b>

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

	<b>III. Group Loans with limited collectability</b>	<b>IV. Group Loans with doubtful collectability</b>	<b>V. Group Uncollectible loans</b>
<b>Current period</b>			
Period end balance	-	-	10,765
Provision (-)	-	-	(1,200)
<b>Net balance on balance sheet</b>	-	-	<b>9,565</b>
<b>Prior period</b>			
Period end balance	-	-	12,175
Provision (-)	-	-	(1,787)
<b>Net balance on balance sheet</b>	-	-	<b>10,388</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current period (Net)</b>	<b>6,088</b>	-	<b>15,823</b>
Loans granted to real persons and legal entities (Gross)	12,568	-	34,528
Provision (-)	(6,480)	-	(18,705)
Loans granted to real persons and legal entities (Net)	6,088	-	15,823
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>-</b>	<b>-</b>	<b>16,246</b>
Loans granted to real persons and legal entities (Gross)	-	-	36,077
Provision (-)	-	-	(19,831)
Loans granted to real persons and legal entities (Net)	-	-	16,246
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
<b>Current period (Net)</b>	<b>1,062</b>	-	<b>218</b>
Interest accruals and discounts and valuation differences	1,877	-	1,563
Provision (-)	(815)	-	(1,345)
<b>Prior Period (Net)</b>	<b>-</b>	<b>-</b>	<b>82</b>
Interest accruals and discounts and valuation differences	-	-	1,519
Provision (-)	-	-	(1,437)

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

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

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**6. Information on financial assets measured at amortized cost**

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

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
Collateral / Blocked	-	26,199	-	22,323
Repurchase transaction	-	68,768	-	27,016
<b>Total</b>	-	<b>94,967</b>	-	<b>49,339</b>

**b. Information on government debt securities measured at amortized cost**

	30 June 2021	31 December 2020
Government bonds	70,536	45,092
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>70,536</b>	<b>45,092</b>

**c. Information on financial assets measured at amortized cost**

	30 June 2021	31 December 2020
<b>Debt Securities</b>	<b>155,526</b>	<b>116,776</b>
Quoted in a stock exchange	155,526	116,776
Not quoted	-	-
Impairment provisions (-) <sup>(1)</sup>	-	-
<b>Total</b>	<b>155,526</b>	<b>116,776</b>

<sup>(1)</sup> TL 1,977 (31 December 2020 – TL 1,755) expected credit losses included at line for expected credit losses on financial statements.

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

	30 June 2021	31 December 2020
<b>Beginning balance</b>	<b>116,776</b>	<b>79,975</b>
Foreign currency differences on monetary assets <sup>(1)</sup>	22,652	22,579
Purchases during year	16,098	49,278
Disposals through sales and redemptions	-	(35,056)
Impairment provisions (-)	-	-
<b>Total</b>	<b>155,526</b>	<b>116,776</b>

<sup>(1)</sup> TL 1,307 (31 December 2020 – TL 223) of differences arising from the discounts and accruals are shown in the " Foreign currency differences on monetary assets line.

**7. Information on investments in associates (Net)**

**a. Information on unconsolidated investments in associates**

None (31 December 2020 - None).

**b. Information on consolidated investments in associates**

None (31 December 2020 - None).

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**8. Information on subsidiaries (Net)**

None (31 December 2020 - None).

**9. Information on joint ventures**

None (31 December 2020 - None).

**10. Information on lease receivables (Net)**

**a. Information on lease receivables**

	30 June 2021	31 December 2020
Financial lease receivables, Gross	155,446	137,125
Unearned income	(32,895)	(28,956)
<b>Financial lease receivables, Net</b>	<b>122,551</b>	<b>108,169</b>

<sup>(1)</sup> TL 657 (31 December 2020 – TL 881) expected credit losses included at line for expected credit losses on financial statements.

**b. Remaining maturities of financial lease investments**

	30 June 2021		31 December 2020	
	Gross	Net	Gross	Net
Up to 1 Year	32,789	20,717	46,695	37,252
1 – 5 Years	122,657	101,834	90,430	70,917
Over 5 Years	-	-	-	-
<b>Total</b>	<b>155,446</b>	<b>122,551</b>	<b>137,125</b>	<b>108,169</b>

**11. Information on hedging derivative financial assets**

None (31 December 2020 - None).

**12. Information on property and equipment**

	Immovable / Land	Vehicles	Right of use assets	Other Tangible Fixed Assets	Total
<b>Prior Period</b>					
Cost	97,768	1,628	345	8,360	108,101
Accumulated Depreciation(-)	(15,496)	(523)	(184)	(3,020)	(19,223)
<b>Net Book Value 31 December 2020</b>	<b>82,272</b>	<b>1,105</b>	<b>161</b>	<b>5,340</b>	<b>88,878</b>
<b>Current Period</b>					
<b>Net Book Value : 31 December 2020</b>	<b>82,272</b>	<b>1,105</b>	<b>161</b>	<b>5,340</b>	<b>88,878</b>
Additions	139	-	7	211	357
Transfers	-	-	-	-	-
Disposals(-), cost	-	-	-	-	-
Disposals(+), accumulated depreciation	-	-	-	-	-
Depreciation (-)	(344)	(161)	(39)	(670)	(1,214)
Impairment	-	-	-	-	-
<b>Net Book Value: 30 June 2021</b>	<b>82,067</b>	<b>944</b>	<b>129</b>	<b>4,881</b>	<b>88,021</b>
Cost at Period End	97,907	1,628	352	8,571	108,458
Accumulated Depreciation at Period End (-)	(15,840)	(684)	(223)	(3,690)	(20,437)
<b>Net Book Value: 30 June 2021</b>	<b>82,067</b>	<b>944</b>	<b>129</b>	<b>4,881</b>	<b>88,021</b>

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

	Immovable / Land	Vehicles	Right of use assets	Other Tangible Fixed Assets	Total
<b>Prior Period</b>					
Cost	97,768	1,628	238	7,623	107,257
Accumulated Depreciation(-)	(14,921)	(213)	(97)	(1,788)	(17,019)
<b>Net Book Value 31 December 2019</b>	<b>82,847</b>	<b>1,415</b>	<b>141</b>	<b>5,835</b>	<b>90,238</b>
<b>Current Period</b>					
<b>Net Book Value : 31 December 2019</b>	<b>82,847</b>	<b>1,415</b>	<b>141</b>	<b>5,835</b>	<b>90,238</b>
Additions	-	-	107	753	860
Transfers	-	-	-	-	-
Disposals(-), cost	-	-	-	(16)	(16)
Disposals(+), accumulated depreciation	-	-	-	1	1
Depreciation (-)	(575)	(310)	(87)	(1,233)	(2,205)
Impairment	-	-	-	-	-
<b>Net Book Value: 31 December 2020</b>	<b>82,272</b>	<b>1,105</b>	<b>161</b>	<b>5,340</b>	<b>88,878</b>
Cost at Period End	97,768	1,628	345	8,360	108,101
Accumulated Depreciation at Period End (-)	(15,496)	(523)	(184)	(3,020)	(19,223)
<b>Net Book Value: 31 December 2020</b>	<b>82,272</b>	<b>1,105</b>	<b>161</b>	<b>5,340</b>	<b>88,878</b>

**13. Information on intangible assets**

	30 June 2021	31 December 2020
<b>Net Book Value at the beginning of the Period</b>	6,849	6,077
Additions	1,563	2,660
Disposals(-), net	-	-
Depreciation (-)	(1,327)	(1,888)
<b>Closing Net Book Value</b>	<b>7,085</b>	<b>6,849</b>

**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”.

	30 June 2021	31 December 2020
<b>Beginning balance, Net</b>	<b>144,862</b>	<b>145,599</b>
Additions (+)	-	-
Disposals (-), net	-	-
Impairment (-)	-	-
Depreciation (-)	(472)	(737)
Transfers	-	-
<b>Current period end balance, Net<sup>(1)</sup></b>	<b>144,390</b>	<b>144,862</b>

<sup>(1)</sup> As of 31 December 2020, the fair value of investment property is TL 153 million.

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**15. Information on deferred tax asset**

The Bank calculates deferred tax asset or liability on the differences between the applied accounting policies and valuation bases and tax legislation that comes from timing differences and reflects the amount on the financial statements.

As of 30 June 2021, the Bank calculated deferred tax asset amounting TL 11,846 and reflected this amount to the financial statements (31 December 2020 – 13,746 TL deferred tax asset).

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

	30 June 2021		31 December 2020	
	Temporary Differences of Deferred Tax Base	Deferred Tax Amount	Temporary Differences of Deferred Tax Base	Deferred Tax Amount
Provision for employee benefits	917	211	808	162
Expected credit losses	31,857	7,327	33,986	6,797
Other provisions	2,204	475	4,461	980
Tangible and intangible assets	23,506	4,141	26,403	5,281
Derivatives	636	146	1,430	286
Other	3,052	702	2,547	509
<b>Deferred Tax Asset</b>	<b>62,172</b>	<b>13,002</b>	<b>69,635</b>	<b>14,015</b>
Derivatives	(504)	(116)	(493)	(99)
Other	(4,491)	(1,040)	(852)	(170)
<b>Deferred Tax Liability</b>	<b>(4,995)</b>	<b>(1,156)</b>	<b>(1,345)</b>	<b>(269)</b>
<b>Deferred Tax Asset/ (Liability), net</b>	<b>57,177</b>	<b>11,846</b>	<b>68,290</b>	<b>13,746</b>

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

None (31 December 2020 - None).

**17. Information on other assets**

As of 30 June 2021, other assets amount to TL 27,676 (31 December 2020- TL 20,639) and do not exceed 10% of total balance sheet except off balance sheet commitments.

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

**1. Information on deposits**

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

**2. Negative differences related to derivative financial liabilities**

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
Forward transactions	590	-	-	-
Swap transactions	-	45	118	1,312
Futures transactions	-	-	-	-
Options transactions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>590</b>	<b>45</b>	<b>118</b>	<b>1,312</b>

**3. Information on borrowings**

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

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
Borrowings from the CBRT	-	-	-	-
From domestic banks and institutions	41,813	94,989	40,304	50,155
From foreign banks, institutions and funds	122,616	791,896	52,225	660,540
<b>Total</b>	<b>164,429</b>	<b>886,885</b>	<b>92,529</b>	<b>710,695</b>

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

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
Short-term	164,429	390,536	92,529	282,362
Medium and long-term	-	496,349	-	428,333
<b>Total</b>	<b>164,429</b>	<b>886,885</b>	<b>92,529</b>	<b>710,695</b>

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

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

**4. Money Market Funds**

As of 30 June 2021, the Bank have money market borrowings amounting to TL 48,002 through repo transaction (31 December 2020 – TL 22,782 through repo transaction and TL 30,481 through Takasbank transaction)

**5. Securities Issued**

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
Nominal	81,834	753,505	-	644,983
Cost	77,530	753,505	-	644,983
<b>Book Value</b>	<b>77,849</b>	<b>755,799</b>	<b>-</b>	<b>647,016</b>

The Bank netted TL 9,199 (31 December 2020 – TL 912) nominal amount of debt securities that bought backed on its financial statements.

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**6. Information on other liabilities**

As of 30 June 2021, other liabilities amount to TL 58,378 (31 December 2020 - TL 65,700) and do not exceed 10% of total balance sheet.

**7. Information on financial lease agreements**

	30 June 2021		31 December 2020	
	Gross	Net	Gross	Net
Up to 1 Year	99	77	93	67
1 – 5 Years	91	80	129	111
Over 5 Years	-	-	-	-
<b>Total</b>	<b>190</b>	<b>157</b>	<b>222</b>	<b>178</b>

**8. Information on hedging derivative financial liabilities**

None (31 December 2020 - None).

**9. Information on provisions**

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

None (31 December 2020 - None).

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

As of 30 June 2021, the Bank has no specific provision (31 December 2020 – None) and TL 4,388 (31 December 2020 – TL 9,539) provision for expected credit loss to the financial statements.

Expected Credit Loss for Non-Cash Loans	30 June 2021	31 December 2020
12 Months Expected Credit Loss	3,134	1,744
Significant Increase in Credit Risk	1,254	7,795
<b>Total</b>	<b>4,388</b>	<b>9,539</b>

**c. Information on other provisions**

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

None (31 December 2020 - None).

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

Other provisions amount of TL 3,250 (31 December 2020 - TL 7,250) is comprising of provisions for bonuses and ongoing lawsuits.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**iii. Obligations related to employee rights**

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees.

The movement of employee termination benefits is shown below

	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Balance at the Beginning of the Period</b>	<b>226</b>	<b>152</b>
Provisions Recognised During the Period	(69)	74
<b>Balance at the end of the period</b>	<b>157</b>	<b>226</b>

In addition, as of 30 June 2021, the Bank have unused vacation provision of TL 760 (31 December 2020 - TL 582).

**10. Information on taxes payable:**

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

**i. Information on tax provision**

The Bank recognized TL 4,106 as current tax liability as of 30 June 2021 (31 December 2020 - TL 2,377).

**ii. Information on taxes payable**

	<b>30 June 2021</b>	<b>31 December 2020</b>
Corporate Tax Payable	4,106	2,377
Taxation on Marketable Securities	99	10
Property Tax	-	-
Banking Insurance Transaction Tax	806	682
Foreign Exchange Transaction Tax	17	-
Value Added Tax Payable	100	78
Other	374	388
<b>Total</b>	<b>5,502</b>	<b>3,535</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**iii. Information on premium payables**

	<b>30 June 2021</b>	<b>31 December 2020</b>
Social Security Premiums – Employee	135	122
Social Security Premiums – Employer	152	136
Bank Social Aid Pension Fund Premium- Employee	-	-
Bank Social Aid Pension Fund Premium – Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance – Employee	10	9
Unemployment Insurance – Employer	19	17
Other	-	-
<b>Total</b>	<b>316</b>	<b>284</b>

**11. Information on deferred tax liability**

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

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

None (31 December 2020 - None).

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

None (31 December 2020 - None).

**14. Information on shareholders’ equity**

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
Common Stock	500,000	500,000
Preferred Stock	-	-

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

The Bank does not apply the registered share capital system.

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

None.

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

None.

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

None (31 December 2020 - None).

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

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

**g. Summary information about privileged shares representing the capital**

None (31 December 2020 - None).

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

	30 June 2021		31 December 2020	
	LC	FC	LC	FC
From investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-
Revaluation difference	(45)	-	(96)	-
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>(45)</b>	<b>-</b>	<b>(96)</b>	<b>-</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

**1. Information on off-balance sheet commitments**

**a. The amount and type of irrevocable commitments**

	<b>30 June 2021</b>	<b>31 December 2020</b>
Forward asset purchase and sale commitments	4,780	4,472
Forward deposit purchase and sale commitments	-	-
Tax and fond liabilities from export commitment	-	-
Other irrevocable commitments	17,552	17,961
<b>Total</b>	<b>22,332</b>	<b>22,433</b>

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

The Bank, within the context of banking activities, undertakes certain commitments, consisting of letters of guarantee, acceptance credits, letters of credit and other guarantees.

As of 30 June 2021, the Bank has no specific provision (31 December 2020 – None) and TL 4,388 (31 December 2020 – TL 9,539) provision for expected credit loss to the financial statements.

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
Letters of guarantee	266,652	291,819
Letters of credit	-	-
Bank acceptances	-	-
Other guarantees	188,997	40,807
<b>Total</b>	<b>455,649</b>	<b>332,626</b>

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
Final letters of guarantee	100,774	88,946
Provisional letters of guarantee	-	375
Letters of guarantee for advances	-	2,369
Letters of guarantee given to customs offices	61,923	47,838
Letter of guarantees given against cash loans	103,955	152,291
Other letter of guarantees	-	-
<b>Total</b>	<b>266,652</b>	<b>291,819</b>

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
Non-cash Loans Given against Cash Loans	292,952	193,098
With Original Maturity of 1 Year or Less Than 1 Year	78,123	33,387
With Original Maturity of More Than 1 Year	214,829	159,711
Other Non-cash Loans	162,697	139,528
<b>Total</b>	<b>455,649</b>	<b>332,626</b>

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

30 June 2021	I. Group		II. Group	
	LC	FC	LC	FC
<b>Non-Cash Loans</b>	<b>124,188</b>	<b>303,242</b>	<b>28,219</b>	-
Letters of Guarantee	124,188	114,245	28,219	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	188,997	-	-

  

31 December 2020	I. Group		II. Group	
	LC	FC	LC	FC
<b>Non-Cash Loans</b>	<b>127,127</b>	<b>130,183</b>	<b>38,219</b>	<b>37,097</b>
Letters of Guarantee	127,127	89,376	38,219	37,097
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	40,807	-	-

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

	30 June 2021				31 December 2020			
	LC	(%)	FC	(%)	LC	(%)	FC	(%)
<b>Agricultural</b>	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	<b>2,488</b>	<b>1.63</b>	<b>8,680</b>	<b>2.86</b>	<b>3,566</b>	<b>2.16</b>	<b>7,419</b>	<b>4.44</b>
Mining	-	-	-	-	-	-	-	-
Production	1,817	1.19	8,680	2.86	1,817	1.10	7,419	4.44
Electric, Gas and Water	671	0.44	-	-	1,749	1.06	-	-
<b>Construction</b>	-	-	<b>102,194</b>	<b>33.70</b>	-	-	-	-
<b>Services</b>	<b>149,902</b>	<b>98.36</b>	<b>192,368</b>	<b>63.44</b>	<b>161,763</b>	<b>97.83</b>	<b>159,861</b>	<b>95.56</b>
Wholesale and Retail Trade	26,866	17.63	86,803	28.62	26,866	16.25	37,097	22.18
Hotel, Food and Beverage Services	1,183	0.78	-	-	83	0.05	-	-
Transportation and Telecommunication	4,000	2.62	21,518	7.10	4,000	2.42	56,072	33.52
Financial Institutions	117,853	77.33	63,397	20.91	130,814	79.11	44,749	26.74
Real Estate and Leasing Services	-	-	20,650	6.81	-	-	21,943	13.12
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
<b>Other</b>	<b>17</b>	<b>0.01</b>	-	-	<b>17</b>	<b>0.01</b>	-	-
<b>Total</b>	<b>152,407</b>	<b>100.00</b>	<b>303,242</b>	<b>100.00</b>	<b>165,346</b>	<b>100.00</b>	<b>167,280</b>	<b>100.00</b>

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**2. Information on derivative transactions**

	30 June 2021	31 December 2020
Trading Derivative Financial Instruments		
<b>Foreign Currency Transactions (I)</b>	<b>218,484</b>	<b>194,643</b>
Forward Foreign Currency Buy/Sell Transactions <sup>(1)</sup>	114,763	4,472
Foreign Currency Swap-Buy-Sell Transactions	103,721	190,171
Futures Transactions	-	-
Options-Buy-Sell Transactions	-	-
<b>Interest Rate Transactions (II)</b>	<b>-</b>	<b>-</b>
Forward interest rate Buy-Sell	-	-
Interest Rate Swap-Buy-Sell	-	-
Interest Rate Options-Buy-Sell	-	-
Interest Rate Futures But-Sell	-	-
<b>Other Trading Derivative Financial Instruments (III)</b>	<b>-</b>	<b>-</b>
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>218,484</b>	<b>194,643</b>
Hedging Derivative Financial Instruments		
Transactions for Fair Value Hedge	-	-
Transactions for Cash Flow Hedge	-	-
Transactions for Foreign Net Investment Hedge	-	-
<b>B. Total Hedging Derivative Financial Instruments</b>	<b>-</b>	<b>-</b>
<b>Total Derivatives (A+B)</b>	<b>218,484</b>	<b>194,643</b>

<sup>(1)</sup> Includes asset purchase and sale commitments

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

None (31 December 2020 - None).

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

As of 30 June 2021, the Bank has booked the provision for its ongoing lawsuits amounting TL 50 to the financial statements (31 December 2020 - TL 50). The process regarding the law suits is still ongoing and decisions will be finalized after trial.

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT**

**1. Information on interest income**

**a. Information on interest income on loans <sup>(1)</sup>**

	30 June 2021		30 June 2020	
	LC	FC	LC	FC
Short-term Loans	34,987	5,585	20,791	5,344
Medium/Long-term Loans	8,785	22,720	3,290	19,074
Interest on Loans Under Follow-up	1,036	313	580	375
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>44,808</b>	<b>28,618</b>	<b>24,661</b>	<b>24,793</b>

<sup>(1)</sup> Commission income from cash loans are also included.

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

	30 June 2021		30 June 2020	
	LC	FC	LC	FC
From the CBRT <sup>(1)</sup>	736	-	2	-
From Domestic Banks	224	30	54	444
From Foreign Banks	65	19	32	19
Branches and Offices Abroad	-	-	-	-
<b>Total</b>	<b>1,025</b>	<b>49</b>	<b>88</b>	<b>463</b>

<sup>(1)</sup> The interest income from required reserves are also included.

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

	30 June 2021		30 June 2020	
	LC	FC	LC	FC
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	1,512	-	917	-
Financial assets measured at amortized cost	-	5,347	-	4,050
<b>Total</b>	<b>1,512</b>	<b>5,347</b>	<b>917</b>	<b>4,050</b>

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

None (30 June 2020 - None).

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**2. Information on interest expense**

**a. Information on interest expense<sup>(1)</sup>**

	30 June 2021		30 June 2020	
	LC	FC	LC	FC
<b>Banks</b>	<b>10,381</b>	<b>10,741</b>	<b>2,597</b>	<b>8,673</b>
The Central Bank of Turkey	-	-	-	-
Domestic Banks	7	110	14	117
Foreign Banks	10,374	10,631	2,583	8,556
Branches and offices abroad	-	-	-	-
<b>Other Institutions</b>	<b>3,688</b>	<b>-</b>	<b>395</b>	<b>-</b>
<b>Total</b>	<b>14,069</b>	<b>10,741</b>	<b>2,992</b>	<b>8,673</b>

<sup>(1)</sup> Commission expense for borrowings are also included.

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

None (30 June 2020 - None).

**c. Interest expense on issued marketable securities**

	30 June 2021		30 June 2020	
	LC	FC	LC	FC
Interest expense on securities issued	3,828	12,157	906	9,434

**d. Maturity structure of the interest expense on deposits**

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

**3. Information on dividend income**

None (30 June 2020 - None).

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

	30 June 2021	30 June 2020
<b>Income</b>	<b>437,273</b>	<b>229,058</b>
Profit on trading account securities	3,189	-
Profit on derivative financial transactions <sup>(1)</sup>	3,870	8,714
Foreign exchange gains	430,214	220,344
<b>Loss (-)</b>	<b>(430,289)</b>	<b>(226,671)</b>
Losses on trading account securities	-	-
Losses on derivative financial transactions <sup>(1)</sup>	(3,810)	(2,122)
Foreign exchange losses	(426,479)	(224,549)
<b>Net Trading Income/Loss</b>	<b>6,984</b>	<b>2,387</b>

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**5. Information on other operating income**

TL 8,177 of reversal of prior year specific and expected credit loss provisions included on other operating income and there is no income regarding extraordinary accounts (30 June 2020 - TL 1,420).

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

	30 June 2021	30 June 2020
<b>Expected Credit Loss<sup>(1)</sup></b>	<b>11,232</b>	<b>7,745</b>
12 Month Expected Credit Loss (Stage 1)	4,882	5,720
Significant increase in credit risk (Stage 2)	-	1,820
Non-Performing Loans (Stage 3)	6,350	205
<b>Marketable Securities Impairment Provision</b>	<b>-</b>	<b>-</b>
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets At Fair Value Through Other Comprehensive Income	-	-
<b>Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>-</b>	<b>-</b>
<b>Total<sup>(2)</sup></b>	<b>11,232</b>	<b>7,745</b>

<sup>(1)</sup> Includes expected credit losses for the non-cash loans.

<sup>(2)</sup> While considering the provision reversals included in other operating income, net provision expense is TL 3,055 (30 June 2020 – TL 6,325).

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

	30 June 2021	30 June 2020
Reserve for employee termination benefits <sup>(1)</sup>	178	148
Bank social aid fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	1,686	1,683
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	1,327	1,008
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	4,860	3,655
Leasing expenses related to TFRS 16 exemptions	67	16
Maintenance expenses	1,130	455
Advertisement expenses	250	380
Other expenses	3,413	2,804
Loss on sales of assets	-	-
Other	2,733	4,984
<b>Total</b>	<b>10,784</b>	<b>11,478</b>

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

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

Profit before tax consists of net interest income/expense amounting to TL 48,295 , net commission fee income amounting to TL 3,362, trading gain/loss amounting to TL 6,984, other operating income amounting to TL 9,612, provision for loan losses and other receivables amounting to TL 11,232 and other operating expenses including personnel expenses amounting to TL 23,086.

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

As of 30 June 2021 the Bank has current tax expense TL 6,027 (30 June 2020 - TL 3,161) and the Bank has deferred tax expense amounting to TL 3,663 and deferred tax income amounting to TL 1,774 (30 June 2020 - TL 1,199 deferred tax income and TL 1,208 deferred tax expense).

As of 30 June 2021, 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 26,019 (30 June 2020 - TL 11,117 profit).

**11. Information on net income/(loss) for the period**

**a. If the disclosure of ordinary banking transactions and the composition of income and expense items is necessary to understand the annual performance of Bank, the composition and amount of these items**

None (30 June 2020 - None).

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**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 30 June 2021, The Bank has booked TL 45 loss (31 December 2020 – TL 96 loss) for marketable securities valuation difference related to financial assets at fair value through other comprehensive income.

**2. Amounts transferred to legal reserves**

According to decisions of General Assembly held on 18 March 2021, TL 31,376 prior year’s income has been transferred to legal reserves.

**3. Information on distribution of profit**

According to decisions of General Assembly held on 18 March 2021, TL 31,376 prior year’s income has been transferred to legal reserves.

No dividend distribution has been announced after the balance sheet date.

**4. Information on capital increase:**

None.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**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**

	<b>30 June 2021</b>	<b>30 June 2020</b>
<b>Cash</b>	<b>186,576</b>	<b>69,333</b>
Cash and Foreign Currency Cash	15	13
Turkish Central Bank	186,561	69,320
Other	-	-
<b>Cash Equivalents</b>	<b>157,370</b>	<b>199,814</b>
Banks	92,210	192,813
Interbank Money Market Placements	65,160	7,001
<b>Total Cash and Cash Equivalents</b>	<b>343,946</b>	<b>269,147</b>
Blocked amounts on cash and cash equivalents	(2,457)	-
Interest income rediscounts on cash and cash equivalents	(655)	(5)
Cash equivalents with a maturity longer than three months	-	-
Restricted reserve deposits	(169,566)	(66,716)
<b>Cash Flow Statements Cash and Cash Equivalents</b>	<b>171,268</b>	<b>202,426</b>

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

The “Other” items presented in “Net operating income before changes in operating assets and liabilities” amount to TL 7,797 (30 June 2020 - TL 8,800) 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 632 (30 June 2020 - TL 830) 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 21,311 (30 June 2020 – TL 34,593) 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 9,621 (30 June 2020 – TL 15,972 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 FINANCIAL STATEMENTS AT 30 JUNE 2021**

(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. Information on loans of the Bank’s risk group:**

Current Period	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	-	-	-	44,749	277,974	83
End of the Period	-	-	-	63,336	315,246	83
Interest and Commission Income Received	-	-	-	335	7,972	2

Prior Period	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	-	-	-	26,610	202,650	33,718
End of the Period	-	-	-	44,749	277,974	83
Interest and Commission Income Received	-	-	-	185	4,938	152

**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**

Bank’s Risk Group	Investments in Associates, subsidiaries, and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets where Fair Value Through Profit or Loss						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	4,780	-
Total Income/Loss	-	-	49	4	(301)	111
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

**d. Information on key management compensation**

As of 30 June 2021, total benefits paid key management amounts to TL 8,199 (30 June 2020 - TL 3,797).

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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

**2. Disclosures of transactions with the Bank’s risk group**

**a. Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties:**

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

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

	Current Period			Prior period		
	Risk Group	Total	% Share	Risk Group	Total	% Share
Banks	405	92,210	0%	1,004	121,511	1%
Cash loans and receivables from leasing transactions	315,246	1,848,812	17%	277,974	1,492,935	19%
Loans received	-	1,051,314	0%	532	803,224	0%
Money market funds	16,380	48,002	34%	1,194	53,263	2%
Marketable securities issued	647,476	833,648	78%	588,381	647,016	91%
Borrower funds	114	80,939	0%	916	90,212	1%
Non-Cash loans	63,419	455,649	14%	44,832	332,626	13%
Derivatives <sup>(1)</sup>	4,780	218,484	2%	-	194,643	-

<sup>(1)</sup> Includes asset purchase and sale commitments and represent the total buy and sale transactions amounts

**c. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts:**

The Bank's other income includes rental income amounting to TL 1,140 (30 June 2020 - TL 762) due to the investment property that the Bank has leased to its risk group and the Bank's operating expense includes TL 525 (30 June 2020 - TL 216) of other expenses regarding the building management expenses of the risk group.

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

	Number	Number of employees	Country of incorporation	Total assets	Statutory share capital
Domestic Branch	1	55			
Foreign representation	-	-	-		
Foreign branch	-	-	-	-	-
Off-share banking region branches	-	-	-	-	-

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS RELATED TO OPERATIONS OF THE BANK**

**a. Explanations on ratings of the Bank**

<b>FITCH</b>	<b>August 2021</b>
National Long Term (tur)	A- Stable

**b. Explanations on ratings of the Bank’s compliance score of Corporate Governance Principles**

JCR Eurasia Rating has assigned PASHA Bank an overall compliance score of (9.23) with CMB Corporate Governance Principles by revising it upwards along with a (Stable) outlook on 8 June 2021.

**II. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

The unconsolidated financial statements for the year ended 30 June 2021 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited) and the independent auditor’s limited report dated 6 August 2021 has been presented preceding the unconsolidated financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR**

None.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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**SECTION EIGHT**

**INTERIM ANNUAL REPORT**

**Message from the Chairman**

Esteemed Stakeholders,

The Turkish economy has ended the first half of the current year as a period to strive to exit from the pandemic conditions. The fact is that the economy and the markets are gradually re-opening in line with on-going vaccination pace. According to initial data, widening export inflows, both in the form of goods and services (like tourism) are being strongly translated into the speed of the recovery. Generally speaking, accelerating pandexit across the globe is not only providing opportunity for improving export performance of the country, from other hand it is returning as rising inflation due to price surge in commodities. Subsequent price increase in commodities and even historical high records at some are pushing up consumer and producer prices. But in its turn efforts with respect to monetary policy normalization, strong export performance, stimulus agenda of the government for the recovery is feeding the positive expectations going forward. Therefore, it is not a coincidence that, some international organizations are revising growth outlook of Turkey on upward side which is typically reflecting expectations on strong rebound narrative.

On the back of above mentioned economic landscape, the overall banking system succeeded to maintain risks within the acceptable levels, and profitability at two-digit territory. According to latest data, the total assets of the system in the last 12 month has increased by 26% as opposed to prior year and reached TL 6,671 billion. The same trend applies to credit portfolio. Total credits of the industry reached TL 3,857 billion with 22% increase.

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

As a result, total assets of the Bank increased by 20.1% to reach TL 2,618 million when compared to the end of the prior year. Our gross cash loan and leasing receivables portfolio, comprising 71% of total assets, reached TL 1,849 million with a 23.8% increase.

Due to effective risk management framework, and prudent credit policy pursued by the Bank we have been successful in preserving low level of NPL in our balance sheet. It is worth to underline that flexible revisiting of credit policy, adjusting tactics of credit and underwriting policy to the current realities of macroeconomic environment etc. are forming substance of the overall risk approach of the Bank.

Moreover, it is worth to underline that the proactive approach of the regulator to risk management has also expanded the ability of the banks managing credit risks in a proper way. The fact is that, the current trigger behind economic slowdown is very specific which requires regulators to act taking into account huge direct support need of economic agents.

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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**Message from the Chairman (continued)**

2021 is actually a first business year of the new, 2023 strategic period. The Bank has successfully completed the strategy formulation process and the prepared strategy document with attraction of internationally well-known consulting company has been approved by the Board of Directors. In general, the 2023 strategy rises on the foundation of values like integrity, quality, collaboration, entrepreneurship and profitability, builds up with the vision to create new and enduring values in the business world and society, focuses as the mission to become a cross-border bank empowering its customers. The new strategy document of the bank from one hand envisages continuing with current business segments, from other hands it targets new business lines focusing on realization of relevant opportunities. In addition to diversifying its funding side, the document also covers main business enablers which are actually the main assets of bank in the way of execution of the strategy. It is our privilege to state that, the proper strategy formulation is expected to yield higher financial performance that has basically been the case in the previous strategic periods. Both profit side indicators, and also expense ratios are forecasted to perform positive trend promising higher profitability for its shareholders, and stability for other stakeholders.

While executing the strategy, we would continue to make substantial investments to the information technologies, risk management, credit management, fund raising, talent acquisition etc. and development of our employees that are of foremost importance. In overall, agility and know-how regarding focus sectors are expected to be differentiating capabilities of the Bank. It is extremely important to remind that initiatives by the Bank with respect to strengthening risk management capacity is proved to be very preventive considering current market challenges and supportive considering IFRS 9 provisioning.

We will continue to make efforts to diversify the Bank’s funding structure and expand our correspondent network and investor base. In this regard, it is important to emphasize competitive advantage of the Bank which goes beyond the country borders, and comes with the strength of the Group’s presence across the region. It is really a privilege to us to witness expanding business opportunities on the back of increasing regional economic relationships after the great victory of Azerbaijan. Signing free trade agreement between Azerbaijan and Turkey, announcing foreign trade target by 2025, increasing FDI flows, active participation of Turkish firms in reconstruction process of liberated areas etc. are the examples for the above mentioned economic ties. In its turn, this expanding economic base is providing a feasible opportunity for the Bank to materialize promising business perspectives in this regard.

In addition to that, the Bank has opportunity to attract funding from both Azerbaijan and Georgia, in case it sees favorable interest rate developments there, and this potential is being materialized during the current strategic period. We will maintain our prudent approach to managing credit risks so that the asset quality of the Bank is not affected by the current environment characterized with increasing volatility in the market. We shall continue our efforts of offering products and services that are tailored to our customers’ needs to make banking experience a gainful experience with PASHA Bank.

I am truly looking forward to share prosperous operating environment with all stakeholders which provides enormous benefit to all parts, and serves to build business relationships based on mutual interest.

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

It is definitely their goodwill that renews our belief in ourselves and our potential to be more.

Sincerely Yours,

**Jalal GASIMOV**  
**Chairman of the Board of Directors**

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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 FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

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**Message by the General Manager**

Esteemed Stakeholders,

Global markets followed a fluctuating course in the first half of 2021. However with the increase in vaccination rate and expectation of normalization all over the world, markets began to have a calmer course in the recent months. While the Dollar/Turkish Lira fluctuated between 8.00 and 8.75 in the second quarter, the benchmark bond interest rates declined to 18% levels. The increase in global commodity prices has put pressure on the inflation rate of US. Therefore, the statements of FED regarding the steps to be taken in the face of rising inflation were followed closely. In the coming months, the most important agenda item in the markets will be when the FED will start to increase interest rates.

PASHA Bank ended the second quarter of 2021 with a profit of TL 26 million. Our asset size reached TL 2,618 million. Total cash and noncash loan size including leasing receivables before provisions amounted to TL 2,304 million, out of that TL 1,849 million constituted cash loans and leasing receivables.

Turkish economy grew by 7% in the first quarter of 2021. With the effect of domestic demand, the economy is expected to record strong double-digit growth in the second quarter of this year. For the whole year, the economy is expected to grow between 4.50% and 5.00%. I expect economies to follow a more positive course for the rest of the year as vaccination rate increase in all around the world and countries begin to return to normal life.

Sincerely Yours,

**H. Cenk EYNEHAN**  
**CEO and Board Member**

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**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2021**

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

**A. INTRODUCTION**

**1. Amendments made in Articles of Incorporation within the period**

None.

**2. Significant Events and Transactions within the Period**

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

**B. UNCONSOLIDATED FINANCIAL INFORMATION AND 2nd QUARTER REVIEWS**

	30 June 2021	31 December 2020
Cash and cash equivalents	343,589	299,289
Financial assets at fair value through profit or loss	13,683	7,405
Financial assets at fair value through other comprehensive income	27,252	30,850
Derivative financial assets	504	493
Loans	1,726,261	1,384,766
Receivables from leasing transactions	122,551	108,169
Financial assets measured at amortized cost	155,526	116,776
Allowance for expected credit losses (-)	(52,297)	(43,945)
Tangible assets (Net)	88,021	88,878
Intangible assets and goodwill (Net)	7,085	6,849
Investment properties (Net)	144,390	144,862
Current tax assets	1,721	632
Deferred tax assets	11,846	13,746
Other assets	27,676	20,639
<b>TOTAL ASSETS</b>	<b>2,617,808</b>	<b>2,179,409</b>

	30 June 2021	31 December 2020
Loans received	1,051,314	803,224
Money market fundings	48,002	53,263
Marketable securities issued (Net)	833,648	647,016
Funds	22,561	24,512
Derivative financial liabilities	635	1,430
Lease payables (Net)	157	178
Provisions	8,555	17,597
Current tax liabilities	5,818	3,819
Other liabilities	58,378	65,700
Shareholders' equity	588,740	562,670
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,617,808</b>	<b>2,179,409</b>

The Bank has completed first six months of 2021 with a profit figure of TL 26,019 according to unconsolidated results. Total unconsolidated assets of the Bank is TL 2,617,808 with an 20% increase compared to 2020 year-end.

The gross loan and lease receivables are TL 1,848,812 increasing at a ratio of 24% compared to year end of 2020 and the share of loans and leasing receivables in total assets is 71%.

The unconsolidated capital adequacy ratio of the Bank is 22.42% as of 30 June 2021.

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

**C. EXPECTATIONS OF PASHA BANK REGARDING YEAR OF 2021**

The Bank expects the Turkish economy to continue its growth by 4.50%-5.00% in 2021 and the inflation to be within 14.00%-15.00% range at the end of the year.

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