

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 31 MARCH 2020**

**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 March 31, 2020 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 three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated of interim financial information in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency(“BRSA”) and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Financial Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by BRSA Legislation; together referred as “BRSA Accounting and Financial Reporting Legislation”. Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the unconsolidated financial position of PASHA Yatırım Bankası A.Ş. at March 31, 2020 and the results of its operations and its unconsolidated cash flows for the three-month period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

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

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

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

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

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

Emre Çelik, SMMM  
Associate Partner

April 22, 2020  
İstanbul, Turkey

**THE THREE MONTH UNCONSOLIDATED FINANCIAL REPORT OF  
PASHA YATIRIM BANKASI A.Ş. AS OF 31 MARCH 2020**

|                                    |  |
|------------------------------------|--|
| Address of the Bank's Headquarters | Sultan Selim Mahallesi Hümeýra Sokak<br>PASHA Plaza No:2/7 34415 Kağıthane, İstanbul |
| Telephone of the Bank              | (0 212) 705 89 00  |
| Fax of the Bank                    | (0 212) 345 07 12  |
| Web site of the Bank               | www.pashabank.com.tr   |
| E-mail for correspondence          | info@pashabank.com.tr  |

The unconsolidated three-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      | Ebru Oğan KNOTTNERUS | Kamala NURIYEVA |
| Chairperson of     | Chairperson of       | Member of       |
| Board of Directors | Audit Committee      | Audit Committee |

|                 |                        |   |
|-----------------|------------------------|---|
| H. Cenk EYNEHAN | Benan Bilge KÖKSAL     | Yeşim ÇAĞLAR  |
| General Manager | Deputy General Manager | Head of Financial Planning,<br>Control and Strategy |

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

|                    |   |
|--------------------|---|
| Name-Surname/Title | : Yeşim ÇAĞLAR / Head of Financial Planning, Control and Strategy |
| Telephone Number   | : (0212) 705 89 08  |
| Fax Number         | : (0212) 345 07 12  |

## 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..... | 1 |
| 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 .....   | 3 |
| 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 income and expense items accounted in equity ..... | 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 activities carried out on behalf of and account of other persons..... | 42 |
| <b>IX.</b>   | Explanations on operating segments .....  | 42 |

**SECTION FIVE**

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

|              |  |    |
|--------------|--|----|
| <b>I.</b>    | Explanations and notes related to assets .....   | 43 |
| <b>II.</b>   | Explanations and notes related to liabilities.....   | 56 |
| <b>III.</b>  | Explanations and notes related to off-balance sheet accounts .....   | 61 |
| <b>IV.</b>   | Explanations and notes related to income statement .....   | 64 |
| <b>V.</b>    | Explanations and notes related to statement of changes in the shareholders' equity .....                                 | 68 |
| <b>VI.</b>   | Explanations and notes related to statement of cash flows .....  | 69 |
| <b>VII.</b>  | Explanations and notes related to Bank's risk group .....  | 70 |
| <b>VIII.</b> | Explanations and notes related to the domestic, foreign, off-shore branches and foreign representatives of the bank..... | 70 |

**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

|            |   |    |
|------------|---|----|
| <b>I.</b>  | Other explanations related to operations of the Bank..... | 71 |
| <b>II.</b> | Explanations and notes related to subsequent events.....  | 71 |

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT REVIEW REPORT**

|            |   |    |
|------------|---|----|
| <b>I.</b>  | Explanations on independent review report.....              | 71 |
| <b>II.</b> | Explanations and notes prepared by independent auditor..... | 71 |

**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..... | 72 |
|-----------|--|----|

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

**PASHA YATIRIM BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

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**SECTION ONE**

**GENERAL INFORMATION**

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

|                                    |  |
|------------------------------------|--|
| Bank's commercial title            | PASHA Yatırım Bankası A.Ş.   |
| Reporting Period                   | 1 January - 31 March 2020  |
| Address of the Bank's Headquarters | Eski Büyükdere Caddesi Hümeysra Sokak No:2 PASHA Plaza, Kat:5<br>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 has been established under the business name of Yatırım Bank A.Ş. headquartered in Istanbul being subject to the Foreign Investment Promotion Law. The establishment of the Bank was permitted by the Ministry of Industry and Trade on the date of 21 December 1987, the Articles of Association of the Bank was approved by the decision no. 1987/5087 dated 25 December 1987 of the 1st Commercial Court of Istanbul, and it was registered with the Istanbul Trade Registry Office under the no. 240320 on the date of 25.12.1987 and published in the Turkish Trade Registry Gazette no. 1924 and dated 30 December 1987. The business name of the Bank that operates as a subsidiary of Bahrain based TAIB Bank B.S.C.(c) had changed to TAIB Yatırım Bank A.Ş. from the date of 29.05.1987.

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%.

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

**GENERAL INFORMATION (continued)**

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

The Bank has been operating through its head office in Istanbul only as of 31 March 2020 and has no branches.

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

There were no changes in the Bank's share capital, Articles of Association and ownership structure during the period and the shareholding structure of the Bank as of 31 March 2020, is stated below:

| Name Surname/Commercial Title | Capital        | Share Ratio    |
|-------------------------------|----------------|----------------|
| 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.

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

**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**

The members of the Board of Directors, whose terms of office had expired, have been reelected as members of the Board of Directors for a term of three years, by the resolution of the Ordinary General Assembly Meeting of the Bank, held on the date of March 30, 2020.

| 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   | Ebru Oğan Knottnerus | Graduate     | -       |
| Independent Board Member                                 | Meriç Uluşahin       | Graduate     | -       |
| Independent Board Member                                 | Nuri Tunçalı         | Graduate     | -       |
| Board Member and CEO                                     | Hikmet Cenk Eynehan  | Postgraduate | -       |
| Deputy CEO (Acting CEO)                                  | Ayşe Hale Yıldırım   | Postgraduate | -       |
| Deputy CEO   | Uğur Koç             | Graduate     | -       |
| 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 30, 2020 and numbered 30, 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.

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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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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 31 March 2020, is stated below;

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

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

The Bank operates as an investment bank and as of 31 March 2020 the Bank has 61 employees (31 December 2019 - 56).

**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 31 MARCH 2020**

(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<br>31/03/2020 |                  |                  | Prior Period<br>31/12/2019 |                  |                  |
|--------------|--|-----------------|------------------------------|------------------|------------------|----------------------------|------------------|------------------|
|              |  |                 | LC                           | FC               | Total            | LC                         | FC               | Total            |
| <b>I.</b>    | <b>FINANCIAL ASSETS (Net)</b>  |                 | <b>26,821</b>                | <b>237,086</b>   | <b>263,907</b>   | <b>168,154</b>             | <b>162,324</b>   | <b>330,478</b>   |
| <b>1.1</b>   | <b>Cash and cash equivalents</b>   |                 | <b>2,366</b>                 | <b>233,540</b>   | <b>235,906</b>   | <b>151,330</b>             | <b>162,192</b>   | <b>313,522</b>   |
| 1.1.1        | Cash and balances at Central Bank  | (5.1.1)         | 1,354                        | 121,165          | 122,519          | 3,692                      | 123,039          | 126,731          |
| 1.1.2        | Banks  | (5.1.3)         | 1,235                        | 112,375          | 113,610          | 757                        | 39,153           | 39,910           |
| 1.1.3        | Receivables from money markets   |                 | -                            | -                | -                | 147,045                    | -                | 147,045          |
| 1.1.4        | Allowance for expected credit losses (-)   |                 | (223)                        | -                | (223)            | (164)                      | -                | (164)            |
| <b>1.2</b>   | <b>Financial assets at fair value through profit or loss</b>                                       | <b>(5.1.2)</b>  | <b>-</b>                     | <b>-</b>         | <b>-</b>         | <b>-</b>                   | <b>-</b>         | <b>-</b>         |
| 1.2.1        | Public debt securities   |                 | -                            | -                | -                | -                          | -                | -                |
| 1.2.2        | Equity instruments   |                 | -                            | -                | -                | -                          | -                | -                |
| 1.2.3        | Other financial assets   |                 | -                            | -                | -                | -                          | -                | -                |
| <b>1.3</b>   | <b>Financial assets at fair value through other comprehensive income</b>                           | <b>(5.1.4)</b>  | <b>24,455</b>                | <b>-</b>         | <b>24,455</b>    | <b>16,824</b>              | <b>-</b>         | <b>16,824</b>    |
| 1.3.1        | Public debt securities   |                 | 14,298                       | -                | 14,298           | 4,620                      | -                | 4,620            |
| 1.3.2        | Equity instruments   |                 | 7,659                        | -                | 7,659            | 7,659                      | -                | 7,659            |
| 1.3.3        | Other financial assets   |                 | 2,498                        | -                | 2,498            | 4,545                      | -                | 4,545            |
| <b>1.4</b>   | <b>Derivative financial assets</b>   |                 | <b>-</b>                     | <b>3,546</b>     | <b>3,546</b>     | <b>-</b>                   | <b>132</b>       | <b>132</b>       |
| 1.4.1        | Derivative financial assets at fair value through profit or loss                                   | (5.1.2)         | -                            | 3,546            | 3,546            | -                          | 132              | 132              |
| 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>420,078</b>               | <b>942,739</b>   | <b>1,362,817</b> | <b>218,930</b>             | <b>905,439</b>   | <b>1,124,369</b> |
| <b>2.1</b>   | <b>Loans</b>   | <b>(5.1.5)</b>  | <b>440,500</b>               | <b>802,786</b>   | <b>1,243,286</b> | <b>257,246</b>             | <b>803,289</b>   | <b>1,060,535</b> |
| 2.2          | Receivables from leasing transactions  | (5.1.10)        | 25,995                       | 28,305           | 54,300           | 6,920                      | 25,594           | 32,514           |
| 2.3          | Factoring receivables  |                 | -                            | -                | -                | -                          | -                | -                |
| <b>2.4</b>   | <b>Financial assets measured at amortised cost</b>   | <b>(5.1.6)</b>  | <b>-</b>                     | <b>115,097</b>   | <b>115,097</b>   | <b>-</b>                   | <b>79,975</b>    | <b>79,975</b>    |
| 2.4.1        | Public debt securities   |                 | -                            | 52,719           | 52,719           | -                          | 29,918           | 29,918           |
| 2.4.2        | Other financial assets   |                 | -                            | 62,378           | 62,378           | -                          | 50,057           | 50,057           |
| <b>2.5</b>   | <b>Allowance for expected credit losses (-)</b>  | <b>(5.1.5)</b>  | <b>(46,417)</b>              | <b>(3,449)</b>   | <b>(49,866)</b>  | <b>(45,236)</b>            | <b>(3,419)</b>   | <b>(48,655)</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>90,031</b>                | <b>-</b>         | <b>90,031</b>    | <b>90,238</b>              | <b>-</b>         | <b>90,238</b>    |
| <b>VI.</b>   | <b>INTANGIBLE ASSETS AND GOODWILL (Net)</b>  | <b>(5.1.13)</b> | <b>5,666</b>                 | <b>-</b>         | <b>5,666</b>     | <b>6,077</b>               | <b>-</b>         | <b>6,077</b>     |
| 6.1          | Goodwill   |                 | -                            | -                | -                | -                          | -                | -                |
| 6.2          | Other  |                 | 5,666                        | -                | 5,666            | 6,077                      | -                | 6,077            |
| <b>VII.</b>  | <b>INVESTMENT PROPERTIES (Net)</b>   | <b>(5.1.14)</b> | <b>145,584</b>               | <b>-</b>         | <b>145,584</b>   | <b>145,599</b>             | <b>-</b>         | <b>145,599</b>   |
| <b>VIII.</b> | <b>CURRENT TAX ASSETS</b>  |                 | <b>733</b>                   | <b>-</b>         | <b>733</b>       | <b>993</b>                 | <b>-</b>         | <b>993</b>       |
| <b>IX.</b>   | <b>DEFERRED TAX ASSETS</b>   | <b>(5.1.15)</b> | <b>14,994</b>                | <b>-</b>         | <b>14,994</b>    | <b>15,628</b>              | <b>-</b>         | <b>15,628</b>    |
| <b>X.</b>    | <b>OTHER ASSETS (Net)</b>  | <b>(5.1.17)</b> | <b>16,322</b>                | <b>-</b>         | <b>16,322</b>    | <b>12,121</b>              | <b>-</b>         | <b>12,121</b>    |
|              | <b>TOTAL ASSETS</b>  |                 | <b>720,229</b>               | <b>1,179,825</b> | <b>1,900,054</b> | <b>657,740</b>             | <b>1,067,763</b> | <b>1,725,503</b> |

The accompanying notes are an integral part of these financial statements

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.**

**UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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<br>31/03/2020 |                  |                  | Prior Period<br>31/12/2019 |                  |                  |
|--------------|--|----------|------------------------------|------------------|------------------|----------------------------|------------------|------------------|
|              |  |          | 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)  | 42,412                       | 672,632          | 715,044          | 69,198                     | 597,457          | 666,655          |
| <b>III.</b>  | <b>MONEY MARKET FUNDS</b>  | (5.2.4)  | 35,837                       | -                | 35,837           | 6,192                      | -                | 6,192            |
| <b>IV.</b>   | <b>MARKETABLE SECURITIES ISSUED (Net)</b>  | (5.2.5)  | 22,369                       | 517,251          | 539,620          | 7,815                      | 468,149          | 475,964          |
| 4.1          | Bills  |          | 22,369                       | -                | 22,369           | 7,815                      | -                | 7,815            |
| 4.2          | Asset backed securities  |          | -                            | -                | -                | -                          | -                | -                |
| 4.3          | Bonds  |          | -                            | 517,251          | 517,251          | -                          | 468,149          | 468,149          |
| <b>V.</b>    | <b>FUNDS</b>   |          | 12,926                       | 24,186           | 37,112           | 10,103                     | 4,868            | 14,971           |
| 5.1          | Borrower funds   |          | 12,926                       | 24,186           | 37,112           | 10,103                     | 4,868            | 14,971           |
| 5.2          | Other  |          | -                            | -                | -                | -                          | -                | -                |
| <b>VI.</b>   | <b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH<br/>PROFIT OR LOSS</b>                                |          | -                            | -                | -                | -                          | -                | -                |
| <b>VII.</b>  | <b>DERIVATIVE FINANCIAL LIABILITIES</b>  |          | -                            | 1                | 1                | -                          | -                | -                |
| 7.1          | Derivative financial liabilities at fair value through profit or loss                                | (5.2.2)  | -                            | 1                | 1                | -                          | -                | -                |
| 7.2          | Derivative financial liabilities at fair value through other<br>comprehensive income                 | (5.2.8)  | -                            | -                | -                | -                          | -                | -                |
| <b>VIII.</b> | <b>FACTORING PAYABLES</b>  |          | -                            | -                | -                | -                          | -                | -                |
| <b>IX.</b>   | <b>LEASE PAYABLES (Net)</b>  | (5.2.7)  | 129                          | -                | 129              | 147                        | -                | 147              |
| <b>X.</b>    | <b>PROVISIONS</b>  | (5.2.9)  | 10,350                       | -                | 10,350           | 10,388                     | -                | 10,388           |
| 10.1         | Provision for restructuring  |          | -                            | -                | -                | -                          | -                | -                |
| 10.2         | Reserves for employee benefits   |          | 588                          | -                | 588              | 551                        | -                | 551              |
| 10.3         | Insurance technical reserves (Net)   |          | -                            | -                | -                | -                          | -                | -                |
| 10.4         | Other provisions   |          | 9,762                        | -                | 9,762            | 9,837                      | -                | 9,837            |
| <b>XI.</b>   | <b>CURRENT TAX LIABILITIES</b>   | (5.2.10) | 2,719                        | -                | 2,719            | 1,960                      | -                | 1,960            |
| <b>XII.</b>  | <b>DEFERRED TAX LIABILITIES</b>  | (5.2.11) | -                            | -                | -                | -                          | -                | -                |
| <b>XIII.</b> | <b>LIABILITIES RELATED TO NON-CURRENT ASSETS HELD<br/>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)  | 16,480                       | 2,667            | 19,147           | 15,773                     | 1,842            | 17,615           |
| <b>XVI.</b>  | <b>SHAREHOLDERS' EQUITY</b>  | (5.2.14) | 540,095                      | -                | 540,095          | 531,611                    | -                | 531,611          |
| 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<br>in profit or loss            |          | -                            | -                | -                | -                          | -                | -                |
| 16.4         | Other accumulated comprehensive income that will be reclassified in<br>profit or loss                |          | 228                          | -                | 228              | 221                        | -                | 221              |
| 16.5         | Profit reserves  |          | 31,390                       | -                | 31,390           | 5,656                      | -                | 5,656            |
| 16.5.1       | Legal reserves   |          | 1,402                        | -                | 1,402            | 296                        | -                | 296              |
| 16.5.2       | Statutory reserves   |          | 295                          | -                | 295              | 295                        | -                | 295              |
| 16.5.3       | Extraordinary reserves   |          | 29,693                       | -                | 29,693           | 5,065                      | -                | 5,065            |
| 16.5.4       | Other profit reserves  |          | -                            | -                | -                | -                          | -                | -                |
| 16.6         | Profit or loss   |          | 8,477                        | -                | 8,477            | 25,734                     | -                | 25,734           |
| 16.6.1       | Prior years' profits or losses   |          | -                            | -                | -                | 43                         | -                | 43               |
| 16.6.2       | Current period net profit or loss  |          | 8,477                        | -                | 8,477            | 25,691                     | -                | 25,691           |
|              | <b>TOTAL EQUITY AND LIABILITIES</b>  |          | <b>683,317</b>               | <b>1,216,737</b> | <b>1,900,054</b> | <b>653,187</b>             | <b>1,072,316</b> | <b>1,725,503</b> |

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

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**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

**II. OFF-BALANCE SHEET**

|  | Note           | Current Period<br>31/03/2020 |                  |                  | Prior Period<br>31/12/2019 |                  |                  |
|--|----------------|------------------------------|------------------|------------------|----------------------------|------------------|------------------|
|  |                | LC                           | FC               | Total            | LC                         | FC               | Total            |
| <b>A. OFF-BALANCE SHEET COMMITMENTS</b>                                  |                |                              |                  |                  |                            |                  |                  |
| <b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>                       |                | <b>247,770</b>               | <b>301,910</b>   | <b>549,680</b>   | <b>213,337</b>             | <b>166,662</b>   | <b>379,999</b>   |
| <b>I. GUARANTEES AND WARRANTIES</b>                                      | <b>(5.3.1)</b> | <b>194,227</b>               | <b>159,253</b>   | <b>353,480</b>   | <b>201,464</b>             | <b>154,925</b>   | <b>356,389</b>   |
| 1.1. Letters of Guarantee  |                | 194,227                      | 148,409          | 342,636          | 201,464                    | 130,567          | 332,031          |
| 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  |                | 194,227                      | 148,409          | 342,636          | 201,464                    | 130,567          | 332,031          |
| 1.2. Bank Acceptances  |                | -                            | -                | -                | -                          | -                | -                |
| 1.2.1. Import Letter of Acceptance                                       |                | -                            | -                | -                | -                          | -                | -                |
| 1.2.2. Other Bank Acceptances  |                | -                            | -                | -                | -                          | -                | -                |
| 1.3. Letters of Credit   |                | -                            | 10,844           | 10,844           | -                          | 598              | 598              |
| 1.3.1. Documentary Letters of Credit                                     |                | -                            | -                | -                | -                          | -                | -                |
| 1.3.2. Other Letters of Credit   |                | -                            | 10,844           | 10,844           | -                          | 598              | 598              |
| 1.4. Prefinancing Given as Guarantee                                     |                | -                            | -                | -                | -                          | -                | -                |
| 1.5. Endorsements  |                | -                            | -                | -                | -                          | -                | -                |
| 1.5.1. Endorsements to the Central Bank of the Republic of Turkey        |                | -                            | -                | -                | -                          | -                | -                |
| 1.5.2. Other Endorsements  |                | -                            | -                | -                | -                          | -                | -                |
| 1.6. Securities Issue Purchase Guarantees                                |                | -                            | -                | -                | -                          | -                | -                |
| 1.7. Factoring Guarantees  |                | -                            | -                | -                | -                          | -                | -                |
| 1.8. Other Guarantees  |                | -                            | -                | -                | -                          | 23,760           | 23,760           |
| 1.9. Other Collaterals   |                | -                            | -                | -                | -                          | -                | -                |
| <b>II. COMMITMENTS</b>   | <b>(5.3.1)</b> | <b>526</b>                   | <b>525</b>       | <b>1,051</b>     | <b>17</b>                  | <b>-</b>         | <b>17</b>        |
| 2.1. Irrevocable Commitments   |                | 526                          | 525              | 1,051            | 17                         | -                | 17               |
| 2.1.1. Asset Purchase and Sales Commitments                              |                | 526                          | 525              | 1,051            | -                          | -                | -                |
| 2.1.2. Deposit Purchase and Sales Commitments                            |                | -                            | -                | -                | -                          | -                | -                |
| 2.1.3. Share Capital Commitments to Associates and Subsidiaries          |                | -                            | -                | -                | -                          | -                | -                |
| 2.1.4. Commitments for Loan Limits                                       |                | -                            | -                | -                | -                          | -                | -                |
| 2.1.5. Securities Issue Brokerage Commitments                            |                | -                            | -                | -                | -                          | -                | -                |
| 2.1.6. Commitments for Reserve Deposit Requirements                      |                | -                            | -                | -                | -                          | -                | -                |
| 2.1.7. Commitments for Cheques   |                | -                            | -                | -                | -                          | -                | -                |
| 2.1.8. Tax and Fund Liabilities from Export Commitments                  |                | -                            | -                | -                | 17                         | -                | 17               |
| 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                                    |                | -                            | -                | -                | -                          | -                | -                |
| 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>53,017</b>                | <b>142,132</b>   | <b>195,149</b>   | <b>11,856</b>              | <b>11,737</b>    | <b>23,593</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                            |                | 53,017                       | 142,132          | 195,149          | 11,856                     | 11,737           | 23,593           |
| 3.2.1. Forward Foreign Currency Buy/Sell Transactions                    |                | 33,691                       | 34,982           | 68,673           | 11,856                     | 11,737           | 23,593           |
| 3.2.1.1. Forward Foreign Currency Transactions-Buy                       |                | -                            | 34,982           | 34,982           | -                          | 11,737           | 11,737           |
| 3.2.1.2. Forward Foreign Currency Transactions-Sell                      |                | 33,691                       | -                | 33,691           | 11,856                     | -                | 11,856           |
| 3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates  |                | 19,326                       | 107,150          | 126,476          | -                          | -                | -                |
| 3.2.2.1. Foreign Currency Swap-Buy                                       |                | -                            | 63,886           | 63,886           | -                          | -                | -                |
| 3.2.2.2. Foreign Currency Swap-Sell                                      |                | 19,326                       | 43,264           | 62,590           | -                          | -                | -                |
| 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>1,095,124</b>             | <b>1,408,468</b> | <b>2,503,592</b> | <b>843,459</b>             | <b>1,263,974</b> | <b>2,107,433</b> |
| <b>IV. ITEMS HELD IN CUSTODY</b>   |                | <b>31,006</b>                | <b>-</b>         | <b>31,006</b>    | <b>7,288</b>               | <b>-</b>         | <b>7,288</b>     |
| 4.1. Customer Fund and Portfolio Balances                                |                | -                            | -                | -                | -                          | -                | -                |
| 4.2. Investment Securities Held in Custody                               |                | 14,138                       | -                | 14,138           | -                          | -                | -                |
| 4.3. Cheques Received for Collection                                     |                | 16,181                       | -                | 16,181           | 6,152                      | -                | 6,152            |
| 4.4. Commercial Notes Received for Collection                            |                | 687                          | -                | 687              | 1,136                      | -                | 1,136            |
| 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>1,030,377</b>             | <b>1,258,027</b> | <b>2,288,404</b> | <b>824,265</b>             | <b>1,144,866</b> | <b>1,969,131</b> |
| 5.1. Marketable Securities   |                | 101,271                      | 98,544           | 199,815          | 57,278                     | 89,100           | 146,378          |
| 5.2. Guarantee Notes   |                | 232,759                      | 74,191           | 306,950          | 175,064                    | 68,546           | 243,610          |
| 5.3. Commodity   |                | 68,409                       | -                | 68,409           | 63,552                     | -                | 63,552           |
| 5.4. Warranty  |                | -                            | -                | -                | -                          | -                | -                |
| 5.5. Immovable   |                | 332,242                      | -                | 332,242          | 332,242                    | -                | 332,242          |
| 5.6. Other Pledged Items   |                | 295,696                      | 1,085,292        | 1,380,988        | 196,129                    | 987,220          | 1,183,349        |
| 5.7. Pledged Items-Depository  |                | -                            | -                | -                | -                          | -                | -                |
| <b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>                |                | <b>33,741</b>                | <b>150,441</b>   | <b>184,182</b>   | <b>11,906</b>              | <b>119,108</b>   | <b>131,014</b>   |
| <b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>                         |                | <b>1,342,894</b>             | <b>1,710,378</b> | <b>3,053,272</b> | <b>1,056,796</b>           | <b>1,430,636</b> | <b>2,487,432</b> |

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

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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 31 MARCH 2020**

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

**III. STATEMENT OF PROFIT OR LOSS**

|               | INCOME STATEMENT  | Note            | Current Period<br>31/03/2020 | Prior Period<br>31/03/2019 |
|---------------|---|-----------------|------------------------------|----------------------------|
| <b>I.</b>     | <b>INTEREST INCOME</b>  | <b>(5.4.1)</b>  | <b>28,206</b>                | <b>37,355</b>              |
| 1.1           | Interest on Loans   |                 | 23,251                       | 27,578                     |
| 1.2           | Interest Received From Reserve Deposits                                   |                 | -                            | 557                        |
| 1.3           | Interest Received From Banks  |                 | 434                          | 2,257                      |
| 1.4           | Interest Received From Money Market Transactions                          |                 | 1,503                        | 4,500                      |
| 1.5           | Interest Received From Marketable Securities Portfolio                    |                 | 2,249                        | 1,840                      |
| 1.5.1         | Financial assets at fair value through profit or loss                     |                 | -                            | -                          |
| 1.5.2         | Financial Assets at Fair Value Through Other Comprehensive Income         |                 | 414                          | 386                        |
| 1.5.3         | Financial Assets Measured at Amortised Cost                               |                 | 1,835                        | 1,454                      |
| 1.6           | Finance Lease Income  |                 | 691                          | 503                        |
| 1.7           | Other Interest Income   |                 | 78                           | 120                        |
| <b>II.</b>    | <b>INTEREST EXPENSES (-)</b>  | <b>(5.4.2)</b>  | <b>(10,356)</b>              | <b>(11,938)</b>            |
| 2.1           | Interest on Deposits  |                 | -                            | -                          |
| 2.2           | Interest on Funds Borrowed  |                 | (5,159)                      | (5,447)                    |
| 2.3           | Interest on Money Market Transactions                                     |                 | (279)                        | (7)                        |
| 2.4           | Interest on Securities Issued   |                 | (4,686)                      | (5,889)                    |
| 2.5           | Finance Lease Expense   |                 | (5)                          | (3)                        |
| 2.6           | Other Interest Expenses   | (5.4.12)        | (227)                        | (592)                      |
| <b>III.</b>   | <b>NET INTEREST INCOME/EXPENSE (I - II)</b>                               |                 | <b>17,850</b>                | <b>25,417</b>              |
| <b>IV.</b>    | <b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>                           |                 | <b>741</b>                   | <b>1,146</b>               |
| 4.1           | Fees and Commissions Received   |                 | 1,079                        | 1,427                      |
| 4.1.1         | Non-cash loans  |                 | 779                          | 1,262                      |
| 4.1.2         | Other   | (5.4.12)        | 300                          | 165                        |
| 4.2           | Fees and Commissions Paid (-)   |                 | (338)                        | (281)                      |
| 4.2.1         | Non-Cash Loans  |                 | (86)                         | (101)                      |
| 4.2.2         | Other   | (5.4.12)        | (252)                        | (180)                      |
| <b>V.</b>     | <b>DIVIDEND INCOME</b>  | <b>(5.4.3)</b>  | <b>-</b>                     | <b>-</b>                   |
| <b>VI.</b>    | <b>TRADING PROFIT/LOSS (Net)</b>  | <b>(5.4.4)</b>  | <b>2,077</b>                 | <b>(833)</b>               |
| 6.1           | Profit/Losses From Capital Market Transactions                            |                 | -                            | 78                         |
| 6.2           | Profit/Losses From Derivative Financial Transactions                      |                 | 4,120                        | (415)                      |
| 6.3           | Foreign Exchange Profit/Losses  |                 | (2,043)                      | (496)                      |
| <b>VII.</b>   | <b>OTHER OPERATING INCOME</b>   | <b>(5.4.5)</b>  | <b>2,345</b>                 | <b>291</b>                 |
| <b>VIII.</b>  | <b>GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>           |                 | <b>23,013</b>                | <b>26,021</b>              |
| <b>IX.</b>    | <b>ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>                          | <b>(5.4.6)</b>  | <b>(1,975)</b>               | <b>(2,017)</b>             |
| <b>X.</b>     | <b>OTHER PROVISION EXPENSES (-)</b>                                       | <b>(5.4.6)</b>  | <b>-</b>                     | <b>-</b>                   |
| <b>XI.</b>    | <b>PERSONNEL EXPENSES (-)</b>   |                 | <b>(4,559)</b>               | <b>(3,521)</b>             |
| <b>XII.</b>   | <b>OTHER OPERATING EXPENSES (-)</b>                                       | <b>(5.4.7)</b>  | <b>(5,585)</b>               | <b>(3,927)</b>             |
| <b>XIII.</b>  | <b>NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>                       |                 | <b>10,894</b>                | <b>16,556</b>              |
| <b>XIV.</b>   | <b>SURPLUS WRITTEN AS GAIN AFTER MERGER</b>                               |                 | <b>-</b>                     | <b>-</b>                   |
| <b>XV.</b>    | <b>PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>                |                 | <b>-</b>                     | <b>-</b>                   |
| <b>XVI.</b>   | <b>NET MONETARY POSITION GAIN/LOSS</b>                                    |                 | <b>-</b>                     | <b>-</b>                   |
| <b>XVII.</b>  | <b>PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)</b> | <b>(5.4.8)</b>  | <b>10,894</b>                | <b>16,556</b>              |
| <b>XVIII.</b> | <b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>       | <b>(5.4.9)</b>  | <b>(2,417)</b>               | <b>(3,752)</b>             |
| 18.1          | Current Tax Provision   |                 | (1,785)                      | (4,207)                    |
| 18.2          | Expense Effect Of Deferred Tax (+)  |                 | 1,072                        | 455                        |
| 18.3          | Income Effect Of Deferred Tax (-)   |                 | (1,704)                      | -                          |
| <b>XIX.</b>   | <b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>            | <b>(5.4.10)</b> | <b>8,477</b>                 | <b>12,804</b>              |
| <b>XX.</b>    | <b>INCOME FROM DISCONTINUED OPERATIONS</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>                   |
| 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>     | <b>(5.4.8)</b>  | <b>-</b>                     | <b>-</b>                   |
| <b>XXIII.</b> | <b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>                      | <b>(5.4.9)</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>          | <b>(5.4.10)</b> | <b>-</b>                     | <b>-</b>                   |
| <b>XXV.</b>   | <b>NET PROFIT/LOSSES (XIX+XXIV)</b>                                       | <b>(5.4.11)</b> | <b>8,477</b>                 | <b>12,804</b>              |
|               | Profit/Loss Per Share   |                 | 0.0170                       | 0.0256                     |

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

|             |   | Current Period<br>31/03/2020 | Prior Period<br>31/03/2019 |
|-------------|---|------------------------------|----------------------------|
| <b>I.</b>   | <b>PROFIT (LOSS)</b>  | <b>8,477</b>                 | <b>12,804</b>              |
| <b>II.</b>  | <b>OTHER COMPREHENSIVE INCOME</b>   | <b>7</b>                     | <b>(59)</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>7</b>                     | <b>(59)</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 | 9                            | (76)                       |
| 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                  | (2)                          | 17                         |
| <b>III.</b> | <b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>   | <b>8,484</b>                 | <b>12,745</b>              |

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**V. STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY**

|   | Note   | Paid-in<br>Capital | Share<br>Premium | Share<br>Cancellation<br>Profits | Other<br>Capital<br>Reserves | Other Accumulated Comprehensive Income<br>That Will Not Be Reclassified In Profit and Loss |   |   | Other Accumulated Comprehensive Income<br>That Will Be Reclassified In Profit and Loss |   |        | Profit<br>Reserves | Prior Period<br>Profit or (Loss) | Current<br>Period<br>Profit<br>or (Loss) | Total<br>Shareholders'<br>Equity |
|---|--|--------------------|------------------|----------------------------------|------------------------------|--|---|---|--|---|--------|--------------------|----------------------------------|--|----------------------------------|
|   |  |                    |                  |                                  |                              | 1  | 2 | 3 | 4  | 5 | 6      |                    |                                  |  |                                  |
| <b>Prior Period 01/01/2019 – 31/03/2019</b>   |  |                    |                  |                                  |                              |  |   |   |  |   |        |                    |                                  |  |                                  |
| <b>I.</b>                                     | <b>Balance at the beginning of the period</b>            | <b>500,000</b>     | -                | -                                | -                            | -  | - | - | (41)   | - | 5,656  | 3,606              | (3,563)                          | 505,658                                  |                                  |
| <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>                                | <b>500,000</b>     | -                | -                                | -                            | -  | - | - | (41)   | - | 5,656  | 3,606              | (3,563)                          | 505,658                                  |                                  |
| <b>IV.</b>                                    | <b>Total comprehensive income (loss)</b>                 | -                  | -                | -                                | -                            | -  | - | - | (59)   | - | -      | -                  | 12,804                           | 12,745                                   |                                  |
| <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>                               | -                  | -                | -                                | -                            | -  | - | - | -  | - | -      | (3,563)            | 3,563                            | -  |                                  |
| 11.1  | Dividends distributed                                    | -                  | -                | -                                | -                            | -  | - | - | -  | - | -      | -                  | -                                | -  |                                  |
| 11.2  | Transfers to legal reserves                              | -                  | -                | -                                | -                            | -  | - | - | -  | - | -      | (3,563)            | 3,563                            | -  |                                  |
| 11.3  | Other  | -                  | -                | -                                | -                            | -  | - | - | -  | - | -      | -                  | -                                | -  |                                  |
|   | <b>Period-End Balance (III+IV+.....+X+XI)</b>            | <b>500,000</b>     | -                | -                                | -                            | -  | - | - | (100)  | - | 5,656  | 43                 | 12,804                           | 518,403                                  |                                  |
| <b>Current Period 01/01/2020 – 31/03/2020</b> |  |                    |                  |                                  |                              |  |   |   |  |   |        |                    |                                  |  |                                  |
| <b>I.</b>                                     | <b>Balance at the beginning of the period</b>            | <b>500,000</b>     | -                | -                                | -                            | -  | - | - | 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>                                | <b>500,000</b>     | -                | -                                | -                            | -  | - | - | 221  | - | 5,656  | 43                 | 25,691                           | 531,611                                  |                                  |
| <b>IV.</b>                                    | <b>Total comprehensive income (loss)</b>                 | -                  | -                | -                                | -                            | -  | - | - | 7  | - | -      | -                  | 8,477                            | 8,484                                    |                                  |
| <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>            | <b>500,000</b>     | -                | -                                | -                            | -  | - | - | 228  | - | 31,390 | -                  | 8,477                            | 540,095                                  |                                  |

- 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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**VI. STATEMENT OF CASH FLOW**

|   | Note    | Current Period<br>31/03/2020 | Prior Period<br>31/03/2019 |
|---|---------|------------------------------|----------------------------|
| <b>A.</b>   |         |                              |                            |
| <b>CASH FLOWS FROM BANKING OPERATIONS</b>                                     |         |                              |                            |
| <b>1.1</b>  |         | <b>986</b>                   | <b>15,931</b>              |
| <b>Operating Profit Before Changes in Operating Assets and Liabilities</b>    |         |                              |                            |
| 1.1.1   |         | 23,193                       | 44,521                     |
| 1.1.2   |         | (15,902)                     | (16,441)                   |
| 1.1.3   |         | -                            | -                          |
| 1.1.4   |         | 616                          | 676                        |
| 1.1.5   |         | 365                          | (679)                      |
| 1.1.6   |         | 824                          | -                          |
| 1.1.7   |         | (3,773)                      | (4,688)                    |
| 1.1.8   |         | (798)                        | (3,747)                    |
| 1.1.9   | (5.6.2) | (3,539)                      | (3,711)                    |
| <b>1.2</b>  |         | <b>(65,061)</b>              | <b>(31,451)</b>            |
| <b>Changes in Operating Assets and Liabilities</b>                            |         |                              |                            |
| 1.2.1   |         | -                            | 2,787                      |
| 1.2.2   |         | 14,224                       | (14,714)                   |
| 1.2.3   |         | (127,812)                    | (35,069)                   |
| 1.2.4   | (5.6.2) | 240                          | (594)                      |
| 1.2.5   |         | -                            | -                          |
| 1.2.6   |         | -                            | -                          |
| 1.2.7   |         | -                            | -                          |
| 1.2.8   |         | (184)                        | 20,440                     |
| 1.2.9   |         | -                            | -                          |
| 1.2.10  | (5.6.2) | 48,471                       | (4,301)                    |
| <b>I.</b>   |         | <b>(64,075)</b>              | <b>(15,520)</b>            |
| <b>Net Cash Provided from Banking Operations</b>                              |         |                              |                            |
| <b>B.</b>   |         |                              |                            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |         |                              |                            |
| <b>II.</b>  |         | <b>(33,453)</b>              | <b>(17,195)</b>            |
| <b>Net Cash Provided from / (Paid For) Investing Activities</b>               |         |                              |                            |
| 2.1   |         | -                            | -                          |
| 2.2   |         | -                            | -                          |
| 2.3   |         | (385)                        | (262)                      |
| 2.4   |         | -                            | -                          |
| 2.5   |         | (9,415)                      | (2,273)                    |
| 2.6   |         | 2,000                        | -                          |
| 2.7   |         | (26,213)                     | (14,660)                   |
| 2.8   |         | 560                          | -                          |
| 2.9   |         | -                            | -                          |
| <b>C.</b>   |         |                              |                            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |         |                              |                            |
| <b>III.</b>   |         | <b>14,432</b>                | <b>115,609</b>             |
| <b>Net Cash Provided from Financing Activities</b>                            |         |                              |                            |
| 3.1   |         | 37,093                       | 182,736                    |
| 3.2   |         | (22,638)                     | (67,087)                   |
| 3.3   |         | -                            | -                          |
| 3.4   |         | -                            | -                          |
| 3.5   |         | (23)                         | (40)                       |
| 3.6   |         | -                            | -                          |
| <b>IV.</b>  | (5.6.2) | <b>7,599</b>                 | <b>1,860</b>               |
| <b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b> |         |                              |                            |
| <b>V.</b>   |         | <b>(75,497)</b>              | <b>84,754</b>              |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>     |         |                              |                            |
| <b>VI.</b>  | (5.6.1) | <b>190,631</b>               | <b>100,987</b>             |
| <b>Cash and Cash Equivalents at the Beginning of the Period</b>               |         |                              |                            |
| <b>VII.</b>   | (5.6.1) | <b>115,134</b>               | <b>185,741</b>             |
| <b>Cash and Cash Equivalents at the End of the Period (V+VI)</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.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

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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, which has recently emerged in China, 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 interim financial statements as of 31 March 2020, 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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(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 31 MARCH 2020**

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

---

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

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

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

The Bank does not have any embedded derivative instruments.

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

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

---

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

Interest income and expenses are recognized in the income statement by using the "effective interest rate method". 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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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

---

**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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(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 31 MARCH 2020**

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

---

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. EXPLANATIONS ON EXPECTED CREDIT LOSS**

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

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

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

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

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

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

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

---

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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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(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 31 MARCH 2020**

(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 March 31, 2020 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 31 March 2020 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 for the first quarter of 2020, 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 December 31, 2020 for the loans monitored in the second group. In this context,

- Temporarily, the practice of the classifying receivables which cannot be collected up to 180 days in the second group has been established.
- 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 “Garam” 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.

As of 31 March 2020, the Bank does not have any loans within the scope of the above-mentioned regulations.

(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 31 MARCH 2020**

(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 31 March 2020 and 31 December 2019, 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 31 MARCH 2020**

(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 asset with useful lives of three to ten years using the straight-line method.

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

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

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

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

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

**XIII. EXPLANATIONS ON INVESTMENT PROPERTIES**

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

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

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

The real estate held for investment purposes has been subjected to an impairment test based on the valuation studies performed by valuation studies performed by valuation experts in the financial statements prepared as December 31, 2019. As of 31 March 2020, the cash flows obtained from investment property have not been revalued on the assumption that there will be no change.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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 1 January 2019, The Bank adopted TFRS 16 Leases and started to present most leases on-balance sheet except its short term leases and its low value assets. The Bank did not restate the financial information for the comparative year by choosing the modified approach.

**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>31 March 2020</b> | <b>31 December 2019</b> |
|--------------------|----------------------|-------------------------|
| Discount Rate (%)  | 3.80                 | 3.80                    |
| Inflation Rate (%) | 7.90                 | 7.90                    |

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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 Turkey corporation tax ratio is 20%. In accordance with the Provisional Article 10 added to the Corporate Tax Act, 20% corporate tax will be applied as 22% for corporate earnings for the tax years 2018, 2019 and 2020.

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

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

---

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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 31 MARCH 2020**

(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 559,847 (31 December 2019 –TL 548,480) while its capital adequacy standard ratio is 28.68% (31 December 2019 – 32.00%) as of 31 March 2020. 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<br>Regarding pre-<br>Application<br>amount <sup>(1)</sup> | Prior Period   | 1/1/2014<br>Regarding pre-<br>Application<br>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  | 31,390         | -  | 5,656          | -  |
| Projected gains to shareholders' equity of the accounting standards in Turkey   | 1,243          | -  | 1,744          | -  |
| Profit  | 8,477          | -  | 25,734         | -  |
| Net current period profit   | 8,477          | -  | 25,691         | -  |
| Prior period profit   | -              | -  | 43             | -  |
| 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>541,110</b> | <b>-</b>   | <b>533,134</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   | -              | -  | -              | -  |
| Development cost of operating lease   | -              | -  | -              | -  |
| Goodwill (net of related tax liability)   | -              | -  | -              | -  |
| Other intangibles other than mortgage-servicing rights (net of related tax liability)   | 5,666          | -  | 6,077          | -  |
| 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>5,666</b>   | <b>-</b>   | <b>6,077</b>   | <b>-</b>   |
| <b>Common Equity Tier 1 capital (CET 1)</b>   | <b>535,444</b> | <b>-</b>   | <b>527,057</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 31 MARCH 2020**

(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<br>Regarding pre-<br>Application<br>amount <sup>(1)</sup> | Prior Period   | 1/1/2014<br>Regarding pre-<br>Application<br>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>535,444</b> | -  | <b>527,057</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  | 24,403         | -  | 21,423         | -  |
| <b>Tier 2 capital before regulatory adjustments</b>   | <b>24,403</b>  | -  | <b>21,423</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>24,403</b>  | -  | <b>21,423</b>  | -  |
| <b>Total capital (TC = T1 + T2)</b>   | <b>559,847</b> | -  | <b>548,480</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   | -              | -  | -              | -  |

(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 31 MARCH 2020**

(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<br>Regarding pre-<br>Application<br>amount <sup>(1)</sup> | Prior Period | 1/1/2014<br>Regarding pre-<br>Application<br>amount <sup>(1)</sup> |
|--|----------------|--|--------------|--|
| <b>Shareholders' Equity</b>  |                |  |              |  |
| Total shareholders' equity   | 559,847        | -  | 548,480      | -  |
| Total risk weighted items  | 1,952,246      | -  | 1,713,856    | -  |
| <b>CAPITAL ADEQUACY RATIOS</b>   |                |  |              |  |
| <b>Core Capital Adequacy Ratio (%)</b>   | <b>27.43</b>   | -  | <b>30.75</b> | -  |
| <b>Tier 1 Capital Adequacy Ratio (%)</b>   | <b>27.43</b>   | -  | <b>30.75</b> | -  |
| <b>Capital Adequacy Standard Ratio (%)</b>   | <b>28.68</b>   | -  | <b>32.00</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) (%)   | 19.42          | -  | 22.75        | -  |
| <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)           | 34,665         | -  | 34,015       | -  |
| Cap on inclusion of provisions in Tier 2 under standardised approach   | 24,403         | -  | 21,423       | -  |
| 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<br/>(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, the fluctuations in the financial markets are experienced as a result of the press statements made by the BRSA on March 23, 2020. Therefore, in the calculation of the amount subject to loan risk in accordance with Regulation on Measurement and Evaluation of Capital Adequacy; the presence of non-monetary assets, historical valued in accordance with Turkey Accounting Standards, except for items on cost, measured in foreign currency amounts and the related specific provisions when calculating the preparation of the December 31, 2019 financial statements is made possible to use the buying Exchange rate taken as a basis. As of 31 March, 2020, the Bank did not use these opportunities in preparing its financial statements and footnotes.

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

None (31 December 2019 - 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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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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 31 March 2020</b>    | <b>6.5696</b> | <b>7.2107</b> |
| 1. Bid rate  | 6.5160        | 7.2150        |
| 2. Bid rate  | 6.4346        | 7.0896        |
| 3. Bid rate  | 6.4560        | 7.0610        |
| 4. Bid rate  | 6.4024        | 6.9271        |
| 5. Bid rate  | 6.4943        | 7.0455        |
| Arithmetic average – 31 days                         | 6.3236        | 6.9945        |
| <b>Foreign exchange rates as of 31 December 2019</b> | <b>5.9400</b> | <b>6.6621</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 |                  |
|-------------------------|--------------|---------------------------|------------------|------------------|------------------|
|                         |              | 31 March 2020             | 31 December 2019 | 31 March 2020    | 31 December 2019 |
| USD                     | 10% decrease | (3,261)                   | (2,547)          | (3,261)          | (2,547)          |
| USD                     | 10% increase | 3,261                     | 2,547            | 3,261            | 2,547            |
| EUR                     | 10% decrease | (198)                     | (11)             | (198)            | (11)             |
| EUR                     | 10% increase | 198                       | 11               | 198              | 11               |

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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 | 28              | 121,137         | -               | 121,165          |
| Due from Banks   | 1,648           | 110,706         | 21              | 112,375          |
| Financial Assets at Fair Value Through Profit or Loss  | -               | -               | -               | -                |
| Money Market Placements  | -               | -               | -               | -                |
| Financial assets at fair value through other comprehensive income  | -               | -               | -               | -                |
| Loans <sup>(1)</sup>   | 421,944         | 424,632         | -               | 846,576          |
| Investments in Associates, Subsidiaries and Joint Ventures   | -               | -               | -               | -                |
| Financial assets at fair value through profit or loss  | -               | 115,097         | -               | 115,097          |
| Derivative Financial Assets  | -               | -               | -               | -                |
| Property and Equipment   | -               | -               | -               | -                |
| Intangible Assets  | -               | -               | -               | -                |
| Other Assets   | -               | -               | -               | -                |
| <b>Total Assets</b>  | <b>423,620</b>  | <b>771,572</b>  | <b>21</b>       | <b>1,195,213</b> |
| <b>Liabilities</b>   |                 |                 |                 |                  |
| Bank Deposits  | -               | -               | -               | -                |
| Foreign Currency Deposits  | -               | -               | -               | -                |
| Funds From Interbank Money Market  | -               | -               | -               | -                |
| Funds Borrowed From Other Financial Institutions   | 355,248         | 317,384         | -               | 672,632          |
| Marketable Securities Issued   | 23,124          | 494,127         | -               | 517,251          |
| Miscellaneous Payables <sup>(3)</sup>  | 111             | 2,556           | -               | 2,667            |
| Derivative Financial Liabilities <sup>(4)</sup>  | -               | -               | -               | -                |
| Other Liabilities <sup>(2)</sup>   | 26              | 24,160          | -               | 24,186           |
| <b>Total Liabilities</b>   | <b>378,509</b>  | <b>838,227</b>  | <b>-</b>        | <b>1,216,736</b> |
| <b>Net On-balance Sheet Position</b>   | <b>45,111</b>   | <b>(66,655)</b> | <b>21</b>       | <b>(21,523)</b>  |
| <b>Net Off-balance Sheet Position</b>  | <b>(43,133)</b> | <b>99,262</b>   | <b>-</b>        | <b>56,129</b>    |
| Derivative Financial Assets  | 131             | 99,262          | -               | 99,393           |
| Derivative Financial Liabilities   | 43,264          | -               | -               | 43,264           |
| Non-Cash Loans   | 57,383          | 101,870         | -               | 159,253          |
| <b>Prior Period</b>  |                 |                 |                 |                  |
| Total Assets   | 343,722         | 742,436         | 34              | 1,086,192        |
| Total Liabilities  | 343,609         | 728,704         | 3               | 1,072,316        |
| Net On-balance Sheet Position  | <b>113</b>      | <b>13,732</b>   | <b>31</b>       | <b>13,876</b>    |
| Net Off-balance Sheet Position   | -               | <b>11,737</b>   | -               | <b>11,737</b>    |
| <b>Derivative Financial Assets</b>   | -               | <b>11,737</b>   | -               | <b>11,737</b>    |
| <b>Derivative Financial Liabilities</b>  | -               | -               | -               | -                |
| Non-Cash Loans   | 66,341          | 88,584          | -               | 154,925          |

<sup>(1)</sup> Foreign currency indexed loans amounting to TL 18,934 (31 December 2019 – TL 18,561), receivables from leasing transaction amounting to TL 28,305 (31 December 2019 – 25,594 TL and foreign currency expected credit losses amounting to TL 3,449 (31 December 2019 – 3,419 TL) are included.

<sup>(2)</sup> Borrowers’ funds amounting to TL 24,186 (31 December 2019 – TL 4,868) are included.

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

<sup>(4)</sup> Excludes derivative financial assets and liabilities amounting to TL 3,546 (31 December 2019 – TL 132) and TL 1 (31 December 2019 – None), 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 31 MARCH 2020**

(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>31 March 2020</b>   | <b>Up to 1<br/>Month</b> | <b>1-3<br/>Months</b> | <b>3-12<br/>Months</b> | <b>1-5 Year</b>  | <b>5 Year<br/>and over</b> | <b>Non-<br/>Interest<br/>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 | 120,994                  | -                     | -                      | -                | -                          | 1,408  | 122,402          |
| Due from Banks   | 110,886                  | -                     | -                      | -                | -                          | 2,618  | 113,504          |
| Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>  | 1,340                    | 2,206                 | -                      | -                | -                          | -  | 3,546            |
| Money Market Placements  | -                        | -                     | -                      | -                | -                          | -  | -                |
| Financial assets at fair value through other comprehensive income  | 2,787                    | -                     | 9,542                  | 4,467            | -                          | 7,659  | 24,455           |
| Loans <sup>(2)</sup>   | 392,928                  | 241,872               | 439,516                | 218,499          | 4,771                      | (48,801)   | 1,248,785        |
| Financial assets measured at amortised cost  | 647                      | 34,079                | 428                    | 79,943           | -                          | (1,065)  | 114,032          |
| Other Assets   | -                        | -                     | -                      | -                | -                          | 273,330  | 273,330          |
| <b>Total Assets</b>  | <b>629,582</b>           | <b>278,157</b>        | <b>449,486</b>         | <b>302,909</b>   | <b>4,771</b>               | <b>235,149</b>                                     | <b>1,900,054</b> |
| <b>Liabilities</b>   |                          |                       |                        |                  |                            |  |                  |
| Bank Deposits  | -                        | -                     | -                      | -                | -                          | -  | -                |
| Other Deposits   | -                        | -                     | -                      | -                | -                          | -  | -                |
| Funds From Interbank Money Market  | 35,837                   | -                     | -                      | -                | -                          | -  | 35,837           |
| Miscellaneous Payables <sup>(5)</sup>  | 457                      | -                     | 2,021                  | -                | -                          | 798  | 3,276            |
| Marketable Securities Issued   | 1,217                    | 22,609                | -                      | 515,794          | -                          | -  | 539,620          |
| Funds Borrowed From Other Financial Institutions   | 241,623                  | 18,356                | 198,816                | -                | 256,214                    | 35   | 715,044          |
| Other Liabilities <sup>(3),(4)</sup>   | 4,621                    | 8,928                 | 35                     | 71               | -                          | 592,622  | 606,277          |
| <b>Total Liabilities</b>   | <b>283,755</b>           | <b>49,893</b>         | <b>200,872</b>         | <b>515,865</b>   | <b>256,214</b>             | <b>593,455</b>                                     | <b>1,900,054</b> |
| Balance Sheet Long Position  | 345,827                  | 228,264               | 248,614                | -                | -                          | -  | 822,705          |
| Balance Sheet Short Position   | -                        | -                     | -                      | (212,956)        | (251,443)                  | (358,306)  | (822,705)        |
| Off-balance Sheet Long Position <sup>(6)</sup>   | 64,411                   | 34,982                | -                      | -                | -                          | -  | 99,393           |
| Off-balance Sheet Short Position <sup>(6)</sup>  | (63,116)                 | (33,691)              | -                      | -                | -                          | -  | (96,807)         |
| <b>Total Position</b>  | <b>347,122</b>           | <b>229,555</b>        | <b>248,614</b>         | <b>(212,956)</b> | <b>(251,443)</b>           | <b>(358,306)</b>                                   | <b>2,586</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 31 MARCH 2020**

(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 2019</b>  | <b>Up to 1<br/>Month</b> | <b>1-3<br/>Months</b> | <b>3-12<br/>Months</b> | <b>1-5 Year</b>  | <b>5 Year<br/>and over</b> | <b>Non-<br/>Interest<br/>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 | 123,007                  | -                     | -                      | -                | -                          | 3,614   | 126,621          |
| Due from Banks   | 38,050                   | -                     | -                      | -                | -                          | 1,806   | 39,856           |
| Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>  | -                        | 132                   | -                      | -                | -                          | -   | 132              |
| Money Market Placements  | 147,045                  | -                     | -                      | -                | -                          | -   | 147,045          |
| Financial assets at fair value through other comprehensive income  | 2,506                    | 2,039                 | 123                    | 4,497            | -                          | 7,659   | 16,824           |
| Loans <sup>(2)</sup>   | 173,897                  | 205,992               | 454,803                | 252,653          | 5,704                      | (47,989)  | 1,045,060        |
| Financial assets measured at amortised cost  | 529                      | 589                   | 30,262                 | 48,595           | -                          | (666)   | 79,309           |
| Other Assets   | -                        | -                     | -                      | -                | -                          | 270,656   | 270,656          |
| <b>Total Assets</b>  | <b>485,034</b>           | <b>208,752</b>        | <b>485,188</b>         | <b>305,745</b>   | <b>5,704</b>               | <b>235,080</b>                                      | <b>1,725,503</b> |
| <b>Liabilities</b>   |                          |                       |                        |                  |                            |   |                  |
| Bank Deposits  | -                        | -                     | -                      | -                | -                          | -   | -                |
| Other Deposits   | -                        | -                     | -                      | -                | -                          | -   | -                |
| Funds From Interbank Money Market  | 6,192                    | -                     | -                      | -                | -                          | -   | 6,192            |
| Miscellaneous Payables   | -                        | -                     | 1,821                  | -                | -                          | 2,132   | 3,953            |
| Marketable Securities Issued   | 1,107                    | 8,038                 | -                      | 466,819          | -                          | -   | 475,964          |
| Funds Borrowed From Other Financial Institutions   | 374,010                  | 128,633               | 163,999                | -                | -                          | 13  | 666,655          |
| Other Liabilities <sup>(3),(4)</sup>   | 10,592                   | 13                    | 52                     | 76               | -                          | 562,006   | 572,739          |
| <b>Total Liabilities</b>   | <b>391,901</b>           | <b>136,684</b>        | <b>165,872</b>         | <b>466,895</b>   | <b>-</b>                   | <b>564,151</b>                                      | <b>1,725,503</b> |
| Balance Sheet Long Position  | 93,133                   | 72,068                | 319,316                | -                | 5,704                      | -   | 490,221          |
| Balance Sheet Short Position   | -                        | -                     | -                      | (161,150)        | -                          | (329,071)   | (490,221)        |
| Off-balance Sheet Long Position <sup>(6)</sup>   | -                        | 11,737                | -                      | -                | -                          | -   | 11,737           |
| Off-balance Sheet Short Position <sup>(6)</sup>  | -                        | (11,856)              | -                      | -                | -                          | -   | (11,856)         |
| <b>Total Position</b>  | <b>93,133</b>            | <b>71,949</b>         | <b>319,316</b>         | <b>(161,150)</b> | <b>5,704</b>               | <b>(329,071)</b>                                    | <b>(119)</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>31 March 2020</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 | -            | -            | -            | -            |
| Due From Banks  | 0.01         | 1.26         | -            | 13.13        |
| Financial Assets at Fair Value Through Profit/Loss  | -            | -            | -            | -            |
| Interbank Money Market Placements   | -            | -            | -            | 10.97        |
| Financial assets at fair value through other comprehensive income                               | -            | -            | -            | 14.32        |
| Loans   | 4.42         | 6.47         | -            | 14.90        |
| Financial assets measured at amortised cost   | -            | 8.18         | -            | -            |
| <b>Liabilities</b>  |              |              |              |              |
| Bank Deposits   | -            | -            | -            | -            |
| Other Deposits  | -            | -            | -            | -            |
| Funds From Interbank Money Market   | 0.89         | 1.84         | -            | 9.51         |
| Miscellaneous Payables <sup>(1)</sup>   | -            | 1.87         | -            | 9.67         |
| Marketable Securities Issued  | 1.72         | 3.60         | -            | 10.61        |
| Funds Borrowed From Other Financial Institutions  | 1.04         | 3.97         | -            | 9.71         |

<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 31 MARCH 2020**

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

<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<br>Type of Currency | Shocks Applied<br>(+/- basis points) | Gains/Losses   | Gains/Equity-<br>Losses/Equity |
|------------------------------------|--------------------------------------|----------------|--------------------------------|
| TRY                                | (+) 500 basis point                  | (9,637)        | (1.73%)                        |
| TRY                                | (-) 400 basis point                  | 8,530          | 1.53%                          |
| USD                                | (+) 200 basis point                  | 28,207         | 5.07%                          |
| USD                                | (-) 200 basis point                  | (15,599)       | (2.81%)                        |
| EUR                                | (+) 200 basis point                  | (6,911)        | (1.24%)                        |
| EUR                                | (-) 200 basis point                  | -              | -                              |
| <b>TOTAL (for negative shocks)</b> |                                      | <b>(7,069)</b> | <b>(1.28%)</b>                 |
| <b>TOTAL (for positive shocks)</b> |                                      | <b>11,659</b>  | <b>2.10%</b>                   |

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

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

As of 31 March 2020, The Bank's portfolio does not have private equity investments, publicly traded shares and other share equities (31 December 2019 - 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 31 MARCH 2020**

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

---

**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 31 March 2020. (31 December 2019 - None).

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

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

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

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

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

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

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

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

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

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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 Limits document and approved by Board of Directors.

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

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

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

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

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

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 31 MARCH 2020**

(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, 68% of the high quality liquid assets of LKO subject bank accounts with the Central Bank, and 30% 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, 53% of the Bank’s funds consist of loans received and 40 % consists of securities issued. There may be fluctuations in the liquidity coverage ratio in the weeks when the share of funds originated from banks within fund sources increases or when medium/long term foreign funds, which are renewed when due, enter the one-month maturity.

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

| Current Period 31 March 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  |  |                | 181,018  | 150,560        |
| <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  | 260,701  | 207,162        | 260,701  | 207,162        |
| 6 Operational assets   | -  | -              | -  | -              |
| 7 Non –operating assets  | -  | -              | -  | -              |
| 8 Other Junior debt  | 260,701  | 207,162        | 260,701  | 207,162        |
| 9 Secured Debts  | -  | -              | -  | -              |
| 10 Other Cash Outflows   | 159,537  | 82,223         | 76,232   | 38,301         |
| 11 Derivative liabilities and margin liabilities   | -  | -              | -  | -              |
| 12 Debts from Structured financial instruments   | -  | -              | -  | -              |
| 13 Payment commitments for debts to financial markets and other off-balance sheet liabilities                        | 159,537  | 82,223         | 76,232   | 38,301         |
| 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  | 159,537  | 82,223         | 76,232   | 38,301         |
| <b>16 TOTAL CASH OUTFLOWS</b>  |  |                | <b>336,933</b>                                   | <b>245,463</b> |
| <b>CASH INFLOWS</b>  |  |                |  |                |
| 17 Secured receivables   | -  | -              | -  | -              |
| 18 Unsecured receivables   | 268,831  | 167,558        | 195,531  | 144,448        |
| 19 Other cash inflows  | -  | -              | -  | -              |
| <b>20 TOTAL CASH INFLOWS</b>   | <b>268,831</b>                                       | <b>167,558</b> | <b>195,531</b>                                   | <b>144,448</b> |
| <b>21 TOTAL HLA STOCK</b>  |  |                | <b>181,018</b>                                   | <b>150,560</b> |
| <b>22 TOTAL NET CASH OUTFLOWS <sup>(1)</sup></b>   |  |                | <b>141,355</b>                                   | <b>101,006</b> |
| <b>23 LIQUIDITY COVERAGE RATION (%)</b>  |  |                | <b>128.06%</b>                                   | <b>149.06%</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 31 MARCH 2020**

(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 2019 <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  |  |               | 189,895  | 144,589        |
| <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  | 203,997  | 134,536       | 203,997  | 134,536        |
| 6 Operational assets   | -  | -             | -  | -              |
| 7 Non –operating assets  | -  | -             | -  | -              |
| 8 Other Junior debt  | 203,997  | 134,536       | 203,997  | 134,536        |
| 9 Secured Debts  | -  | -             | -  | -              |
| 10 Other Cash Outflows   | 111,597  | 36,770        | 57,203   | 21,582         |
| 11 Derivative liabilities and margin liabilities   | -  | -             | -  | -              |
| 12 Debts from Structured financial instruments   | -  | -             | -  | -              |
| 13 Payment commitments for debts to financial markets and other off-balance sheet liabilities                        | 111,597  | 36,770        | 57,203   | 21,582         |
| 14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions | -  | -             | -  | -              |
| 15 Other irrevocable or conditionally revocable off-balance sheet liabilities  | 111,597  | 36,770        | 57,203   | 21,582         |
| <b>16 TOTAL CASH OUTFLOWS</b>  |  |               | <b>261,200</b>                                   | <b>156,118</b> |
| <b>CASH INFLOWS</b>  |  |               |  |                |
| 17 Secured receivables   | -  | -             | -  | -              |
| 18 Unsecured receivables   | 138,518  | 78,892        | 91,487   | 60,699         |
| 19 Other cash inflows  | -  | -             | -  | -              |
| <b>20 TOTAL CASH INFLOWS</b>   | <b>138,518</b>                                       | <b>78,892</b> | <b>91,487</b>                                    | <b>60,699</b>  |
| <b>21 TOTAL HLA STOCK</b>  |  |               | <b>189,895</b>                                   | <b>144,589</b> |
| <b>22 TOTAL NET CASH OUTFLOWS <sup>(1)</sup></b>   |  |               | <b>169,713</b>                                   | <b>95,419</b>  |
| <b>23 LIQUIDITY COVERAGE RATION (%)</b>  |  |               | <b>111.89%</b>                                   | <b>151.53%</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 2020 and 2019 are presented below.

| 31 March 2020    | Maximum | Week       | Minimum | Week       | Average |
|------------------|---------|------------|---------|------------|---------|
| LC               | 301.54  | 24.01.2020 | 61.66   | 03.01.2020 | 149.06  |
| LC+FC            | 217.00  | 24.01.2020 | 57.89   | 03.01.2020 | 128.06  |
| 31 December 2019 | Maximum | Week       | Minimum | Week       | Average |
| LC               | 511.34  | 15.11.2019 | 66.5    | 27.12.2019 | 151.53  |
| LC+FC            | 230.87  | 15.11.2019 | 61.0    | 27.12.2019 | 111.89  |

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

| 31 March 2020    | First Maturity Tranche (Weekly) |       | Second Maturity Tranche (Monthly) |       |
|------------------|---------------------------------|-------|-----------------------------------|-------|
|                  | FC                              | FC+LC | FC                                | FC+LC |
| Average (%)      | 338                             | 307   | 139                               | 164   |
| Maximum (%)      | 517                             | 418   | 196                               | 223   |
| Minimum (%)      | 162                             | 193   | 93                                | 121   |
| 31 December 2019 | FC                              | FC+LC | FC                                | FC+LC |
| Average (%)      | 517                             | 476   | 274                               | 271   |
| Maximum (%)      | 1,895                           | 1,767 | 860                               | 663   |
| Minimum (%)      | 100                             | 192   | 87                                | 126   |

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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**

| 31 March 2020   | Demand          | Up to 1 month  | 1-3 Month      | 3-12 Month     | 1-5 Year         | 5 Year and Over | Unclassified <sup>1</sup> | Total            |
|---|-----------------|----------------|----------------|----------------|------------------|-----------------|---------------------------|------------------|
| <b>Assets</b>   |                 |                |                |                |                  |                 |                           |                  |
| Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT | 1,525           | 120,994        | -              | -              | -                | -               | (117)                     | 122,402          |
| Due From Banks  | 2,724           | 110,886        | -              | -              | -                | -               | (106)                     | 113,504          |
| Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>                               | -               | 1,340          | 2,206          | -              | -                | -               | -                         | 3,546            |
| Interbank Money Market Placements   | -               | -              | -              | -              | -                | -               | -                         | -                |
| Financial assets at fair value through other comprehensive income                               | 7,659           | 302            | -              | 9,542          | 4,467            | 2,485           | -                         | 24,455           |
| Loans <sup>(2)</sup>  | -               | 272,343        | 107,236        | 521,601        | 350,575          | 45,831          | (48,801)                  | 1,248,785        |
| Financial assets measured at amortized cost   | -               | 647            | 34,079         | 428            | 79,943           | -               | (1,065)                   | 114,032          |
| Other Assets  | -               | 13,287         | 733            | -              | -                | -               | 259,310                   | 273,330          |
| <b>Total Assets</b>   | <b>11,908</b>   | <b>519,799</b> | <b>144,254</b> | <b>531,571</b> | <b>434,985</b>   | <b>48,316</b>   | <b>209,221</b>            | <b>1,900,054</b> |
| <b>Liabilities</b>  |                 |                |                |                |                  |                 |                           |                  |
| Bank Deposits   | -               | -              | -              | -              | -                | -               | -                         | -                |
| Other Deposits  | -               | -              | -              | -              | -                | -               | -                         | -                |
| Funds Borrowed From Other Financial Institutions  | 35              | 241,623        | 18,356         | 198,816        | 256,214          | -               | -                         | 715,044          |
| Funds Borrowed From Money Markets   | -               | 35,837         | -              | -              | -                | -               | -                         | 35,837           |
| Marketable Securities Issued  | -               | 1,217          | 22,609         | -              | 515,794          | -               | -                         | 539,620          |
| Miscellaneous Payables <sup>(5)</sup>   | -               | 1,255          | -              | 2,021          | -                | -               | -                         | 3,276            |
| Other Liabilities <sup>(3),(4)</sup>  | 23,587          | 22,177         | 10,753         | 785            | 71               | -               | 548,904                   | 606,277          |
| <b>Total Liabilities</b>  | <b>23,622</b>   | <b>302,109</b> | <b>51,718</b>  | <b>201,622</b> | <b>772,079</b>   | <b>-</b>        | <b>548,904</b>            | <b>1,900,054</b> |
| <b>Liquidity Gap</b>  | <b>(11,714)</b> | <b>217,690</b> | <b>92,536</b>  | <b>329,949</b> | <b>(337,094)</b> | <b>48,316</b>   | <b>(339,683)</b>          | <b>-</b>         |
| <b>Net Off-Balance Sheet Liquidity Gap</b>  | <b>-</b>        | <b>1,295</b>   | <b>1,291</b>   | <b>-</b>       | <b>-</b>         | <b>-</b>        | <b>-</b>                  | <b>2,586</b>     |
| Financial Derivative Assets <sup>(6)</sup>  | -               | 64,411         | 34,982         | -              | -                | -               | -                         | 99,393           |
| Financial Derivative Liabilities <sup>(6)</sup>   | -               | (63,116)       | (33,691)       | -              | -                | -               | -                         | (96,807)         |
| Non-cash Loans  | -               | 8,328          | 78,683         | 93,491         | 45,491           | -               | 127,487                   | 353,480          |

<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

(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 31 MARCH 2020**

(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 2019</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 | 3,724         | 123,007              | -                | -                 | -               | -                      | (110)                           | 126,621          |
| Due From Banks  | 1,860         | 38,050               | -                | -                 | -               | -                      | (54)                            | 39,856           |
| Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>                               | -             | -                    | 132              | -                 | -               | -                      | -                               | 132              |
| Interbank Money Market Placements   | -             | 147,045              | -                | -                 | -               | -                      | -                               | 147,045          |
| Financial assets at fair value through other comprehensive income                               | 7,659         | 15                   | 2,039            | 123               | 4,497           | 2,491                  | -                               | 16,824           |
| Loans <sup>(2)</sup>  | -             | 151,149              | 102,244          | 419,187           | 377,640         | 42,829                 | (47,989)                        | 1,045,060        |
| Financial assets measured at amortized cost   | -             | 529                  | 589              | 30,262            | 48,595          | -                      | (666)                           | 79,309           |
| Other Assets  | -             | 9,398                | 993              | -                 | -               | -                      | 260,265                         | 270,656          |
| <b>Total Assets</b>   | <b>13,243</b> | <b>469,193</b>       | <b>105,997</b>   | <b>449,572</b>    | <b>430,732</b>  | <b>45,320</b>          | <b>211,446</b>                  | <b>1,725,503</b> |
| <b>Liabilities</b>  |               |                      |                  |                   |                 |                        |                                 |                  |
| Bank Deposits   | -             | -                    | -                | -                 | -               | -                      | -                               | -                |
| Other Deposits  | -             | -                    | -                | -                 | -               | -                      | -                               | -                |
| Funds Borrowed From Other Financial Institutions  | 13            | 374,010              | 128,633          | 163,999           | -               | -                      | -                               | 666,655          |
| Funds Borrowed From Money Markets   | -             | 6,192                | -                | -                 | -               | -                      | -                               | 6,192            |
| Marketable Securities Issued  | -             | 1,107                | 8,038            | -                 | 466,819         | -                      | -                               | 475,964          |
| Miscellaneous Payables <sup>(5)</sup>   | -             | 2,132                | -                | 1,821             | -               | -                      | -                               | 3,953            |
| Other Liabilities <sup>(3),(4)</sup>  | 4,385         | 23,684               | 3,211            | 52                | 76              | -                      | 541,331                         | 572,739          |
| <b>Total Liabilities</b>  | <b>4,398</b>  | <b>407,125</b>       | <b>139,882</b>   | <b>165,872</b>    | <b>466,895</b>  | <b>-</b>               | <b>541,331</b>                  | <b>1,725,503</b> |
| <b>Liquidity Gap</b>  | <b>8,845</b>  | <b>62,068</b>        | <b>(33,885)</b>  | <b>283,700</b>    | <b>(36,163)</b> | <b>45,320</b>          | <b>(329,885)</b>                | <b>-</b>         |
| <b>Net Off-Balance Sheet Liquidity Gap</b>  | <b>-</b>      | <b>-</b>             | <b>(119)</b>     | <b>-</b>          | <b>-</b>        | <b>-</b>               | <b>-</b>                        | <b>(119)</b>     |
| Financial Derivative Assets <sup>(6)</sup>  | -             | -                    | 11,737           | -                 | -               | -                      | -                               | 11,737           |
| Financial Derivative Liabilities <sup>(6)</sup>   | -             | -                    | (11,856)         | -                 | -               | -                      | -                               | (11,856)         |
| <b>Non-cash Loans</b>   | <b>-</b>      | <b>-</b>             | <b>42,084</b>    | <b>140,049</b>    | <b>57,036</b>   | <b>-</b>               | <b>117,220</b>                  | <b>356,389</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 31 MARCH 2020**

(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<br/>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. | 241,968                  | 19,403            | 208,919            | 278,453          | -                   | 748,743          |
| Funds from interbank money market         | 35,929                   | -                 | -                  | -                | -                   | 35,929           |
| Financial leasing payables                | 9                        | 19                | 47                 | 95               | -                   | 170              |
| Marketable securities issued              | 1,615                    | 25,488            | 13,545             | 539,022          | -                   | 579,670          |
| Current accounts of customers             | 28,200                   | 9,016             | -                  | -                | -                   | 37,216           |
| <b>Total</b>                              | <b>307,721</b>           | <b>53,926</b>     | <b>222,511</b>     | <b>817,570</b>   | <b>-</b>            | <b>1,401,728</b> |

| <b>Prior Period</b>                       | <b>Up to<br/>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. | 374,413                  | 129,382           | 166,262            | -                | -                   | 670,057          |
| Funds from interbank money market         | 6,194                    | -                 | -                  | -                | -                   | 6,194            |
| Financial leasing payables                | 7                        | 16                | 64                 | 106              | -                   | 193              |
| Marketable securities issued              | 1,460                    | 10,524            | 12,252             | 491,919          | -                   | 516,155          |
| Current accounts of customers             | 14,972                   | -                 | -                  | -                | -                   | 14,972           |
| <b>Total</b>                              | <b>397,046</b>           | <b>139,922</b>    | <b>178,578</b>     | <b>492,025</b>   | <b>-</b>            | <b>1,207,571</b> |

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

| <b>Current Period</b>     | <b>Up to<br/>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  | 525                      | 34,982            | -                  | -                | -                   | 35,507         |
| Forward Transactions-Sell | 526                      | 33,691            | -                  | -                | -                   | 34,217         |
| Swap Transactions-Buy     | 63,886                   | -                 | -                  | -                | -                   | 63,886         |
| Swap Transactions-Sell    | 62,590                   | -                 | -                  | -                | -                   | 62,590         |
| Futures Transactions-Buy  | -                        | -                 | -                  | -                | -                   | -              |
| Futures Transactions-Sell | -                        | -                 | -                  | -                | -                   | -              |
| Options-Buy               | -                        | -                 | -                  | -                | -                   | -              |
| Options-Sell              | -                        | -                 | -                  | -                | -                   | -              |
| Other                     | -                        | -                 | -                  | -                | -                   | -              |
| <b>Total</b>              | <b>127,527</b>           | <b>68,673</b>     | <b>-</b>           | <b>-</b>         | <b>-</b>            | <b>196,200</b> |

| <b>Prior Period</b>       | <b>Up to<br/>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  | -                        | 11,737            | -                  | -                | -                   | 11,737        |
| Forward Transactions-Sell | -                        | 11,856            | -                  | -                | -                   | 11,856        |
| Swap Transactions-Buy     | -                        | -                 | -                  | -                | -                   | -             |
| Swap Transactions-Sell    | -                        | -                 | -                  | -                | -                   | -             |
| Futures Transactions-Buy  | -                        | -                 | -                  | -                | -                   | -             |
| Futures Transactions-Sell | -                        | -                 | -                  | -                | -                   | -             |
| Options-Buy               | -                        | -                 | -                  | -                | -                   | -             |
| Options-Sell              | -                        | -                 | -                  | -                | -                   | -             |
| Other                     | -                        | -                 | -                  | -                | -                   | -             |
| <b>Total</b>              | <b>-</b>                 | <b>23,593</b>     | <b>-</b>           | <b>-</b>         | <b>-</b>            | <b>23,593</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 31 MARCH 2020**

(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 23.8% (31 December 2019 - 26.5%). 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) | 1,803,380                            | 1,644,939                          |
| (Assets deducted from core capital)  | (5,824)                              | (2,819)                            |
| <b>Total risk amount for assets on the balance sheet</b>   | <b>1,797,556</b>                     | <b>1,642,120</b>                   |
| <b>Derivative Financial Instruments and Loan Derivatives</b>   |                                      |                                    |
| Renewal cost of derivative financial instruments and loan derivatives  | 1,463                                | 47                                 |
| Potential credit risk amount of derivative financial instruments and loan derivatives                                | 1,124                                | 341                                |
| <b>Total risk amount of derivative financial instruments and loan derivatives</b>                                    | <b>2,587</b>                         | <b>388</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)     | 12,549                               | 13,148                             |
| Risk amount arising from intermediated transactions  | -                                    | -                                  |
| <b>Total risk amount of financing transactions with securities or goods warranties</b>                               | <b>12,549</b>                        | <b>13,148</b>                      |
| <b>Off-the-Balance Sheet Transactions</b>  |                                      |                                    |
| Gross nominal amount of the off-the-balance sheet transactions   | 427,966                              | 331,057                            |
| Adjustment amount arising from multiplying by the credit conversion rate   | -                                    | -                                  |
| <b>Total risk amount for off-the-balance sheet transactions</b>  | <b>427,966</b>                       | <b>331,057</b>                     |
| <b>Capital and Total Risk</b>  |                                      |                                    |
| Core capital   | 532,470                              | 526,367                            |
| Total risk amount  | 2,240,658                            | 1,986,713                          |
| <b>Leverage Ratio</b>  |                                      |                                    |
| <b>Leverage ratio</b>  | <b>23.8%</b>                         | <b>26.5%</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 31 MARCH 2020**

(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)**

**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 31 MARCH 2020**

(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               |
|  | 31 March 2020         | 31 December 2019 | 31 March 2020                |
| Credit risk (excluding counterparty credit risk) (CCR)                   | 1,760,898             | 1,576,612        | 140,872                      |
| Of which standardised approach (SA)                                      | 1,760,898             | 1,576,612        | 140,872                      |
| Of which internal rating-based (IRB) approach                            | -                     | -                | -                            |
| Counterparty credit risk   | 5,629                 | 8,302            | 450                          |
| Of which standardised approach for counterparty credit risk (SA-CCR)     | 5,629                 | 8,302            | 450                          |
| Of which internal model method (IMM)                                     | -                     | -                | -                            |
| Equity positions in banking book under market-based approach             | -                     | -                | -                            |
| Equity investments in funds – look-through approach                      | -                     | -                | -                            |
| Equity investments in funds – mandate-based approach                     | -                     | -                | -                            |
| Equity investments in funds – fallback approach                          | -                     | -                | -                            |
| Settlement risk  | -                     | -                | -                            |
| Securitisation exposures in banking book                                 | -                     | -                | -                            |
| Of which IRB ratings-based approach (RBA)                                | -                     | -                | -                            |
| Of which IRB Supervisory Formula Approach (SFA)                          | -                     | -                | -                            |
| Of which SA/simplified supervisory formula approach (SSFA)               | -                     | -                | -                            |
| Market risk  | 44,675                | 26,276           | 3,574                        |
| Of which standardised approach (SA)                                      | 44,675                | 26,276           | 3,574                        |
| Of which internal model approaches (IMM)                                 | -                     | -                | -                            |
| Operational risk   | 141,044               | 102,666          | 11,284                       |
| Of which Basic Indicator Approach  | 141,044               | 102,666          | 11,284                       |
| 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>1,952,246</b>      | <b>1,713,856</b> | <b>156,180</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 31 MARCH 2020**

(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 ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF  
OTHER PERSONS**

The Bank, has been authorized to provide trading brokerage activity, portfolio brokerage activity, best-effort copy public offering brokerage activity and limited custody services. The Bank does not deal with fiduciary transactions.

**IX. EXPLANATIONS ON OPERATING SEGMENTS**

| <b>Current Period</b>                               | <b>Corporate<br/>Banking</b> | <b>Treasury and<br/>Asset Liability<br/>Management</b> | <b>Total</b>     |
|---|------------------------------|--|------------------|
| <b>Total Assets</b>                                 | <b>1,247,720</b>             | <b>652,334</b>   | <b>1,900,054</b> |
| <b>Total Liabilities</b>                            | <b>61,623</b>                | <b>1,838,431</b>                                       | <b>1,900,054</b> |
| Net Interest Income/(Loss)                          | 23,715                       | (5,865)  | 17,850           |
| Net Fee and Commission Income/(Loss)                | 749                          | (8)  | 741              |
| Trading Gain/(Loss)                                 | -                            | 2,077  | 2,077            |
| Other Operating Segments Gain/(Loss)                | 1,446                        | 899  | 2,345            |
| Provisions for Loan Losses and Other Receivables(-) | (1,480)                      | (495)  | (1,975)          |
| Other Operating Expense (-)                         | -                            | (10,144)   | (10,144)         |
| <b>Profit Before Tax</b>                            | <b>24,430</b>                | <b>(13,536)</b>  | <b>10,894</b>    |
| Tax Provision                                       | (5,420)                      | 3,003  | (2,417)          |
| <b>Net Profit</b>                                   | <b>19,010</b>                | <b>(10,533)</b>  | <b>8,477</b>     |

| <b>Prior Period</b>                                 | <b>Corporate<br/>Banking</b> | <b>Treasury and<br/>Asset Liability<br/>Management</b> | <b>Total</b>     |
|---|------------------------------|--|------------------|
| <b>Total Assets</b>                                 | <b>1,044,394</b>             | <b>681,109</b>   | <b>1,725,503</b> |
| <b>Total Liabilities</b>                            | <b>35,393</b>                | <b>1,690,110</b>                                       | <b>1,725,503</b> |
| Net Interest Income/(Loss)                          | 27,489                       | (2,072)  | 25,417           |
| Net Fee and Commission Income/(Loss)                | 1,161                        | (15)   | 1,146            |
| Trading Gain/(Loss)                                 | -                            | (833)  | (833)            |
| Other Operating Segments Gain/(Loss)                | -                            | 291  | 291              |
| Provisions for Loan Losses and Other Receivables(-) | (1,872)                      | (145)  | (2,017)          |
| Other Operating Expense (-)                         | -                            | (7,448)  | (7,448)          |
| <b>Profit Before Tax</b>                            | <b>26,778</b>                | <b>(10,222)</b>  | <b>16,556</b>    |
| Tax Provision                                       | (6,069)                      | 2,317  | (3,752)          |
| <b>Net Profit</b>                                   | <b>20,709</b>                | <b>(7,905)</b>   | <b>12,804</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 31 MARCH 2020**

(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**

|                       | 31 March 2020 |                | 31 December 2019 |                |
|-----------------------|---------------|----------------|------------------|----------------|
|                       | LC            | FC             | LC               | FC             |
| Cash/Foreign currency | 10            | 3              | 10               | 4              |
| CBRT                  | 1,344         | 121,162        | 3,682            | 123,035        |
| Other                 | -             | -              | -                | -              |
| <b>Total</b>          | <b>3,692</b>  | <b>123,039</b> | <b>3,692</b>     | <b>123,039</b> |

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

|   | 31 March 2020 |                | 31 December 2019 |                |
|---|---------------|----------------|------------------|----------------|
|   | LC            | FC             | LC               | FC             |
| Demand Unrestricted Amount <sup>(1)</sup> | 1,344         | 168            | 3,682            | 28             |
| Time Unrestricted Amount                  | -             | -              | -                | -              |
| Time Restricted Amount <sup>(2)</sup>     | -             | 120,994        | -                | 123,007        |
| <b>Total</b>                              | <b>1,344</b>  | <b>121,162</b> | <b>3,682</b>     | <b>123,035</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 1% and 7% according to their maturities as of 31 March 2020 (31 December 2019 - between 1% and 7%). The reserve rates for foreign currency liabilities vary between 5% and 21% according to their maturities as of 31 March 2020 (31 December 2019 - between 5% and 21%).

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

**a. As of 31 March 2020, the Bank has no financial assets at fair value through profit or loss subject to repo transactions and given as collateral/blocked (31 December 2019 - 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 31 MARCH 2020**

(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**

|                                 | 31 March 2020 | 31 December 2019 |
|---------------------------------|---------------|------------------|
| <b>Debt Securities</b>          | -             | -                |
| Quoted on Stock Exchange        | -             | -                |
| Not Quoted                      | -             | -                |
| <b>Share Certificates</b>       | -             | -                |
| Quoted on Stock Exchange        | -             | -                |
| Not Quoted                      | -             | -                |
| <b>Impairment Provision (-)</b> | -             | -                |
| <b>Total</b>                    | -             | -                |

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

|                      | 31 March 2020 |       | 31 December 2019 |     |
|----------------------|---------------|-------|------------------|-----|
|                      | LC            | FC    | LC               | FC  |
| Forward transactions | -             | 2,206 | -                | 132 |
| Swap transactions    | -             | 1,340 | -                | -   |
| Futures transactions | -             | -     | -                | -   |
| Options              | -             | -     | -                | -   |
| Other                | -             | -     | -                | -   |
| <b>Total</b>         | -             | 3,546 | -                | 132 |

**3. Information on banks**

**a. Information on banks**

|                                | 31 March 2020 |         | 31 December 2019 |        |
|--------------------------------|---------------|---------|------------------|--------|
|                                | LC            | FC      | LC               | FC     |
| <b>Banks</b>                   | 1,235         | 112,375 | 757              | 39,153 |
| Domestic                       | 62            | 109,855 | 131              | 37,557 |
| Foreign                        | 1,173         | 2,520   | 626              | 1,596  |
| Branches and offices<br>abroad | -             | -       | -                | -      |
| <b>Total</b>                   | 1,235         | 112,375 | 757              | 39,153 |

**b. Information on foreign banks accounts**

|                             | Unrestricted Amount |                  | Restricted Amount |                  |
|-----------------------------|---------------------|------------------|-------------------|------------------|
|                             | 31 March 2020       | 31 December 2019 | 31 March 2020     | 31 December 2019 |
| European Union Countries    | 1,642               | 481              | -                 | -                |
| USA, Canada                 | 711                 | 824              | -                 | -                |
| OECD Countries <sup>1</sup> | -                   | -                | -                 | -                |
| Off-shore Banking Regions   | -                   | -                | -                 | -                |
| Other                       | 1,340               | 917              | -                 | -                |
| <b>Total</b>                | 3,693               | 2,222            | -                 | -                |

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

(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 31 MARCH 2020**

(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**

|                        | 31 March 2020 |          | 31 December 2019 |          |
|------------------------|---------------|----------|------------------|----------|
|                        | LC            | FC       | LC               | FC       |
| Collateral / Blocked   | 7,255         | -        | 7,126            | -        |
| Repurchase transaction | 8,772         | -        | -                | -        |
| <b>Total</b>           | <b>16,027</b> | <b>-</b> | <b>7,126</b>     | <b>-</b> |

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

|                                 | 31 March 2020 | 31 December 2019 |
|---------------------------------|---------------|------------------|
| <b>Debt Securities</b>          | <b>16,798</b> | <b>9,165</b>     |
| Quoted on Stock Exchange        | 16,798        | 9,165            |
| 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>(2)</b>    | <b>-</b>         |
| <b>Total</b>                    | <b>24,455</b> | <b>16,824</b>    |

**5. Information on loans**

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

|   | 31 March 2020 |               | 31 December 2019 |               |
|---|---------------|---------------|------------------|---------------|
|   | Cash          | Non-Cash      | Cash             | Non-Cash      |
| <b>Direct Loans Granted to Shareholders</b>   | <b>-</b>      | <b>48,154</b> | <b>-</b>         | <b>26,610</b> |
| Legal Entities                                | -             | 48,154        | -                | 26,610        |
| 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>48,154</b> | <b>-</b>         | <b>26,610</b> |

<sup>(1)</sup> The bank has no cash loan was provided with a counter-guarantee of Parent Bank(31 December 2019 - TL 595).

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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**

| 31 March 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>1,094,945</b> | <b>68,806</b>                        | <b>43,521</b>                         | <b>-</b>    |
| Loans given to enterprises   | 283,285          | 31,751                               | 12,600                                | -           |
| Export Loans                 | 25,142           | -                                    | -                                     | -           |
| Import Loans                 | -                | -                                    | -                                     | -           |
| Financial Sector Loans       | 266,967          | -                                    | -                                     | -           |
| Consumer Loans               | -                | -                                    | -                                     | -           |
| Credit Cards                 | -                | -                                    | -                                     | -           |
| Other                        | 519,551          | 37,055                               | 30,921                                | -           |
| <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>1,094,945</b> | <b>68,806</b>                        | <b>43,521</b>                         | <b>-</b>    |

<sup>(1)</sup> TL 36,014 non-performing loans are not included.

| 31 December 2019             | 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>929,163</b> | <b>52,399</b>                        | <b>43,519</b>                         | <b>-</b>    |
| Loans given to enterprises   | 235,447        | 51,846                               | 10,845                                | -           |
| Export Loans                 | 29,932         | -                                    | -                                     | -           |
| Import Loans                 | -              | -                                    | -                                     | -           |
| Financial Sector Loans       | 175,647        | -                                    | -                                     | -           |
| Consumer Loans               | -              | -                                    | -                                     | -           |
| Credit Cards                 | -              | -                                    | -                                     | -           |
| Other                        | 488,137        | 553                                  | 32,674                                | -           |
| <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>929,163</b> | <b>52,399</b>                        | <b>43,519</b>                         | <b>-</b>    |

<sup>(1)</sup> TL 35,454 non-performing loans are not included.

| Expected Credit Loss                | 31 March 2020  |                              | 31 December 2019 |                              |
|-------------------------------------|----------------|------------------------------|------------------|------------------------------|
|                                     | Standard Loans | Loans Under Close Monitoring | Standard Loans   | Loans Under Close Monitoring |
| 12 Months Expected Credit Loss      | 8,496          | -                            | 7,476            | -                            |
| Significant Increase in Credit Risk | -              | 17,828                       | -                | 18,085                       |
| <b>Total</b>                        | <b>8,496</b>   | <b>17,828</b>                | <b>7,476</b>     | <b>18,085</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 31 MARCH 2020**

(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 | 31 March 2020  |                              | 31 December 2019 |                              |
|---|----------------|------------------------------|------------------|------------------------------|
|   | Standard Loans | Loans Under Close Monitoring | Standard Loans   | Loans Under Close Monitoring |
| Extended by 1 or 2 times                            | -              | 43,521                       | -                | 43,519                       |
| Extended by 3,4 or 5 times                          | -              | -                            | -                | -                            |
| Extended by more than 5 times                       | -              | -                            | -                | -                            |
| <b>Total</b>  | -              | <b>43,521</b>                | -                | <b>43,519</b>                |

| Extended period of time | 31 March 2020  |                              | 31 December 2019 |                              |
|-------------------------|----------------|------------------------------|------------------|------------------------------|
|                         | Standard Loans | Loans Under Close Monitoring | Standard Loans   | Loans Under Close Monitoring |
| 0 - 6 Months            | -              | 1,521                        | -                | -                            |
| 6 - 12 Months           | -              | 30,921                       | -                | 32,674                       |
| 1 - 2 Years             | -              | -                            | -                | -                            |
| 2 - 5 Years             | -              | 11,079                       | -                | 10,845                       |
| 5 Years and over        | -              | -                            | -                | -                            |
| <b>Total</b>            | -              | <b>43,521</b>                | -                | <b>43,519</b>                |

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

| 31 March 2020              | Standard Loans   | Loans Under Close Monitoring         |                    |
|----------------------------|------------------|--------------------------------------|--------------------|
|                            |                  | Not under the scope of restructuring | Restructured Loans |
| Short-Term Loans           | 551,256          | 14,731                               | 882                |
| Medium and Long-Term Loans | 543,689          | 54,075                               | 42,639             |
| <b>Total</b>               | <b>1,094,945</b> | <b>68,806</b>                        | <b>43,521</b>      |

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

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

None (31 December 2019 - 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 31 MARCH 2020**

(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>31 March 2020</b>                               | <b>Short Term</b> | <b>Medium-<br/>Long Term</b> | <b>Total</b>  |
|--|-------------------|------------------------------|---------------|
| <b>Commercial installment loans-LC</b>             | -                 | <b>3,348</b>                 | <b>3,348</b>  |
| Business residential loans                         | -                 | -                            | -             |
| Automobile loans                                   | -                 | 2,710                        | 2,710         |
| Consumer loans                                     | -                 | 638                          | 638           |
| Other  | -                 | -                            | -             |
| <b>Commercial installment loans- Indexed to FC</b> | -                 | <b>18,934</b>                | <b>18,934</b> |
| Business residential loans                         | -                 | -                            | -             |
| Automobile loans                                   | -                 | 2,381                        | 2,381         |
| Consumer loans                                     | -                 | 16,553                       | 16,553        |
| 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>22,282</b>                | <b>22,282</b> |

| <b>31 December 2019</b>                            | <b>Short Term</b> | <b>Medium-<br/>Long Term</b> | <b>Total</b>  |
|--|-------------------|------------------------------|---------------|
| <b>Commercial installment loans-LC</b>             | -                 | <b>5,718</b>                 | <b>5,718</b>  |
| Business residential loans                         | -                 | -                            | -             |
| Automobile loans                                   | -                 | 4,300                        | 4,300         |
| Consumer loans                                     | -                 | 1,418                        | 1,418         |
| Other  | -                 | -                            | -             |
| <b>Commercial installment loans- Indexed to FC</b> | -                 | <b>18,561</b>                | <b>18,561</b> |
| Business residential loans                         | -                 | -                            | -             |
| Automobile loans                                   | -                 | 2,657                        | 2,657         |
| Consumer loans                                     | -                 | 15,904                       | 15,904        |
| 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>24,279</b>                | <b>24,279</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 31 MARCH 2020**

(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>31 March 2020</b> | <b>31 December 2019</b> |
|--------------|----------------------|-------------------------|
| Public       | -                    | -                       |
| Private      | 1,243,286            | 1,060,535               |
| <b>Total</b> | <b>1,243,286</b>     | <b>1,060,535</b>        |

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

|                | <b>31 March 2020</b> | <b>31 December 2019</b> |
|----------------|----------------------|-------------------------|
| Domestic Loans | 922,458              | 764,172                 |
| Foreign Loans  | 320,828              | 296,363                 |
| <b>Total</b>   | <b>1,243,286</b>     | <b>1,060,535</b>        |

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

None (31 December 2019 - None).

**i. Specific provisions accounted for loans**

|                                    | <b>31 March 2020</b> | <b>31 December 2019</b> |
|------------------------------------|----------------------|-------------------------|
| Loans with limited collectability  | -                    | -                       |
| Loans with doubtful collectability | 16,668               | 16,836                  |
| Uncollectible loans                | 5,443                | 5,443                   |
| <b>Total</b>                       | <b>22,111</b>        | <b>22,279</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>27,280</b>                             | <b>5,443</b>               |
| Loans under restructuring              | -  | 27,280                                    | 5,443                      |
| <b>Prior period</b>                    |  |   |                            |
| Gross amounts before specific reserves | -  | <b>26,719</b>                             | <b>5,443</b>               |
| Loans under restructuring              | -  | 26,719                                    | 5,443                      |

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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**

| 31 March 2020  | III. Group<br>Loans with<br>limited<br>collectability | IV. Group<br>Loans with<br>doubtful<br>collectability | V. Group<br>Uncollectible<br>loans |
|--|---|---|------------------------------------|
| <b>Prior period end balance</b>                              | -   | <b>30,011</b>   | <b>5,443</b>                       |
| Additions (+)  | -   | 1,384   | -                                  |
| Transfers from other categories of loans under follow-up (+) | -   | -   | -                                  |
| Transfers to other categories of loans under follow-up (-)   | -   | -   | -                                  |
| Collections (-)  | -   | (824)   | -                                  |
| Deducted from the record (-)                                 | -   | -   | -                                  |
| Sold (-)   | -   | -   | -                                  |
| Commercial and corporate loans                               | -   | -   | -                                  |
| Individual loans   | -   | -   | -                                  |
| Credit cards   | -   | -   | -                                  |
| Other  | -   | -   | -                                  |
| <b>Current period end balance</b>                            | -   | <b>30,571</b>   | <b>5,443</b>                       |
| Provision (-)  | -   | (16,668)  | (5,443)                            |
| <b>Net Balance on balance sheet</b>                          | -   | <b>13,903</b>   | -                                  |

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

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

|                                     | III. Group<br>Loans with limited<br>collectability | IV. Group<br>Loans with doubtful<br>collectability | V. Group<br>Uncollectible loans |
|-------------------------------------|--|--|---------------------------------|
| <b>Current period</b>               |  |  |                                 |
| Period end balance                  | -  | 12,018   | -                               |
| Provision (-)                       | -  | (3,449)  | -                               |
| <b>Net balance on balance sheet</b> | -  | <b>8,569</b>                                       | -                               |
| <b>Prior period</b>                 |  |  |                                 |
| Period end balance                  | -  | 11,316   | -                               |
| Provision (-)                       | -  | (3,419)  | -                               |
| <b>Net balance on balance sheet</b> | -  | <b>7,897</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 31 MARCH 2020**

(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>13,903</b>                             | -                          |
| Loans granted to real persons and legal entities (Gross) | -  | 30,571                                    | 5,443                      |
| Provision (-)  | -  | (16,668)                                  | (5,443)                    |
| Loans granted to real persons and legal entities (Net)   | -  | 13,903                                    | -                          |
| Banks (Gross)  | -  | -   | -                          |
| Provision (-)  | -  | -   | -                          |
| Banks (Net)  | -  | -   | -                          |
| Other loans (Gross)                                      | -  | -   | -                          |
| Provision (-)  | -  | -   | -                          |
| Other loans (Net)  | -  | -   | -                          |
| <b>Prior Period (Net)</b>                                | -  | <b>13,175</b>                             | -                          |
| Loans granted to real persons and legal entities (Gross) | -  | 30,011                                    | 5,443                      |
| Provision (-)  | -  | (16,836)                                  | (5,443)                    |
| Loans granted to real persons and legal entities (Net)   | -  | 13,175                                    | -                          |
| Banks (Gross)  | -  | -   | -                          |
| Provision (-)  | -  | -   | -                          |
| Banks (Net)  | -  | -   | -                          |
| Other loans (Gross)                                      | -  | -   | -                          |
| Provision (-)  | -  | -   | -                          |
| Other loans (Net)  | -  | -   | -                          |

**v. Information on interest accruals, rediscounts, 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>100</b>                                | -                          |
| Interest accruals and rediscounts and valuation differences | -  | 1,516                                     | -                          |
| Provision (-)   | -  | (1,416)                                   | -                          |
| <b>Prior Period (Net)</b>                                   | -  | <b>92</b>                                 | -                          |
| Interest accruals and rediscounts and valuation differences | -  | 1,498                                     | -                          |
| Provision (-)   | -  | (1,406)                                   | -                          |

**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 31 MARCH 2020**

(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**

|                        | 31 March 2020 |               | 31 December 2019 |               |
|------------------------|---------------|---------------|------------------|---------------|
|                        | LC            | FC            | LC               | FC            |
| Collateral / Blocked   | -             | 3,359         | -                | 2,987         |
| Repurchase transaction | -             | 8,744         | -                | 8,110         |
| <b>Total</b>           | -             | <b>12,103</b> | -                | <b>11,097</b> |

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

|                                     | 31 March 2020 | 31 December 2019 |
|-------------------------------------|---------------|------------------|
| Government bonds                    | 52,719        | 29,918           |
| Treasury bills                      | -             | -                |
| Other public sector debt securities | -             | -                |
| <b>Total</b>                        | <b>52,719</b> | <b>29,918</b>    |

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

|  | 31 March 2020  | 31 December 2019 |
|--|----------------|------------------|
| <b>Debt Securities</b>                   | <b>115,097</b> | <b>79,975</b>    |
| Quoted in a stock exchange               | 115,097        | 79,975           |
| Not quoted                               | -              | -                |
| Impairment provisions (-) <sup>(1)</sup> | -              | -                |
| <b>Total</b>                             | <b>115,097</b> | <b>79,975</b>    |

<sup>(1)</sup> TL 1,065 (31 December 2019 – TL 666) expected credit losses included at line for expected credit losses on financial statements.

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

|   | 31 March 2020  | 31 December 2019 |
|---|----------------|------------------|
| <b>Beginning balance</b>                        | <b>79,975</b>  | <b>60,694</b>    |
| Foreign currency differences on monetary assets | 9,020          | 9,428            |
| Purchases during year <sup>(1)</sup>            | 26,662         | 21,835           |
| Disposals through sales and redemptions         | (560)          | (11,982)         |
| Impairment provisions (-)                       | -              | -                |
| <b>Total</b>                                    | <b>115,097</b> | <b>79,975</b>    |

<sup>(1)</sup> Includes TL 449 (31 December 2019 – TL 714) of accrual differences between the periods

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

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

None (31 December 2019 - None).

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

None (31 December 2019 - 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 31 MARCH 2020**

(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 2019 - None).

**9. Information on joint ventures**

None (31 December 2019 - None).

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

**a. Information on lease receivables**

|   | 31 March 2020 | 31 December 2019 |
|---|---------------|------------------|
| Financial lease receivables, Gross      | 63,192        | 35,142           |
| Unearned income                         | (8,892)       | (2,628)          |
| <b>Financial lease receivables, Net</b> | <b>54,300</b> | <b>32,514</b>    |

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

|              | 31 March 2020 |               | 31 December 2019 |               |
|--------------|---------------|---------------|------------------|---------------|
|              | Gross         | Net           | Gross            | Net           |
| Up to 1 Year | 31,970        | 27,188        | 13,692           | 11,562        |
| 1 – 4 Years  | 31,222        | 27,112        | 21,450           | 20,952        |
| Over 4 Years | -             | -             | -                | -             |
| <b>Total</b> | <b>63,192</b> | <b>54,300</b> | <b>35,142</b>    | <b>32,514</b> |

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

None (31 December 2019 - None).

**12. Information on property and equipment**

|  | Immovable /<br>Land | Vehicles     | Other Tangible<br>Fixed Assets | Total         |
|--|---------------------|--------------|--------------------------------|---------------|
| <b>Prior Period</b>                        |                     |              |                                |               |
| Cost                                       | 97,768              | 1,628        | 7,861                          | 107,257       |
| Accumulated Depreciation(-)                | (14,921)            | (213)        | (1,885)                        | (17,019)      |
| <b>Net Book Value 31 December 2019</b>     | <b>82,847</b>       | <b>1,415</b> | <b>5,976</b>                   | <b>90,238</b> |
| <b>Current Period</b>                      |                     |              |                                |               |
| <b>Net Book Value : 31 Aralık 2019</b>     | <b>82,847</b>       | <b>1,415</b> | <b>5,976</b>                   | <b>90,238</b> |
| Additions                                  | -                   | -            | 282                            | 282           |
| Transfers                                  | -                   | -            | -                              | -             |
| Disposals(-), net                          | -                   | -            | -                              | -             |
| Depreciation (-)                           | (61)                | (81)         | (347)                          | (489)         |
| Impairment                                 | -                   | -            | -                              | -             |
| <b>Net Book Value: 31 March 2020</b>       | <b>82,786</b>       | <b>1,334</b> | <b>5,911</b>                   | <b>90,031</b> |
| Cost at Period End                         | 97,768              | 1,628        | 8,143                          | 107,539       |
| Accumulated Depreciation at Period End (-) | (14,982)            | (294)        | (2,232)                        | (17,508)      |
| <b>Net Book Value: 31 March 2020</b>       | <b>82,786</b>       | <b>1,334</b> | <b>5,911</b>                   | <b>90,031</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 31 MARCH 2020**

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

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

|  | <b>Immovable /<br/>Land</b> | <b>Vehicles</b> | <b>Other Tangible<br/>Fixed Assets</b> | <b>Total</b>  |
|--|-----------------------------|-----------------|--|---------------|
| <b>Prior Period</b>                        |                             |                 |  |               |
| Cost                                       | -                           | 625             | 2,772                                  | 3,397         |
| Accumulated Depreciation(-)                | -                           | (21)            | (1,001)                                | (1,022)       |
| <b>Net Book Value 31 December 2018</b>     | -                           | <b>604</b>      | <b>1,771</b>                           | <b>2,375</b>  |
| <b>Current Period</b>                      |                             |                 |  |               |
| <b>Net Book Value : 31 December 2018</b>   | -                           | <b>604</b>      | <b>1,771</b>                           | <b>2,375</b>  |
| Additions                                  | 11,289                      | 1,003           | 5,089                                  | 17,381        |
| Transfers <sup>(1)</sup>                   | 72,190                      | -               | -                                      | 72,190        |
| Disposals(-), net                          | -                           | -               | -                                      | -             |
| Depreciation (-)                           | (632)                       | (192)           | (884)                                  | (1,708)       |
| Impairment                                 | -                           | -               | -                                      | -             |
| <b>Net Book Value: 31 December 2019</b>    | <b>82,847</b>               | <b>1,415</b>    | <b>5,976</b>                           | <b>90,238</b> |
| Cost at Period End                         | 97,768                      | 1,628           | 7,861                                  | 107,257       |
| Accumulated Depreciation at Period End (-) | (14,921)                    | (213)           | (1,885)                                | (17,019)      |
| <b>Net Book Value: 31 December 2019</b>    | <b>82,847</b>               | <b>1,415</b>    | <b>5,976</b>                           | <b>90,238</b> |

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

**13. Information on intangible assets**

|  | <b>31 March 2020</b> | <b>31 December 2019</b> |
|--|----------------------|-------------------------|
| <b>Net Book Value at the beginning of the Period</b> | 6,077                | 1,274                   |
| Additions  | 103                  | 5,707                   |
| Disposals(-), net                                    | -                    | -                       |
| Depreciation (-)                                     | (514)                | (904)                   |
| <b>Closing Net Book Value</b>                        | <b>5,666</b>         | <b>6,077</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”.

|   | <b>31 March 2020</b> | <b>31 December 2019</b> |
|---|----------------------|-------------------------|
| <b>Beginning balance, Net</b>                         | <b>145,599</b>       | <b>218,333</b>          |
| Additions (+)   | -                    | 580                     |
| Disposals (-), net                                    | -                    | -                       |
| Impairment (-)  | -                    | -                       |
| Depreciation (-)                                      | (15)                 | (1,124)                 |
| Transfers <sup>(1)</sup>                              | -                    | (72,190)                |
| Transfer of the cost to buildings and land            | -                    | (86,479)                |
| Transfer of the accumulated depreciation to buildings | -                    | 136                     |
| Transfer of the impairment to buildings and land      | -                    | 14,153                  |
| <b>Current period end balance, Net</b>                | <b>145,584</b>       | <b>145,599</b>          |

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

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

**15. Information on tax asset**

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

As of 31 March 2020, the Bank calculated deferred tax asset amounting TL 14,994 and reflected this amount to the financial statements (31 December 2019 – 15,628 TL deferred tax asset).

|   | 31 March 2020                              |                     | 31 December 2019                           |                     |
|---|--|---------------------|--|---------------------|
|   | Temporary Differences of Deferred Tax Base | Deferred Tax Amount | Temporary Differences of Deferred Tax Base | Deferred Tax Amount |
| Provision for employee benefits             | 588  | 129                 | 551  | 121                 |
| Expected credit losses                      | 34,540                                     | 7,599               | 33,927                                     | 7,464               |
| Other provisions                            | 3,591                                      | 790                 | 2,637                                      | 580                 |
| Tangible and intangible assets              | 30,314                                     | 6,669               | 31,321                                     | 6,891               |
| Derivatives                                 | 1  | -                   | -  | -                   |
| Other                                       | 3,196                                      | 703                 | 2,804                                      | 617                 |
| <b>Deferred Tax Asset</b>                   | <b>72,230</b>                              | <b>15,890</b>       | <b>71,240</b>                              | <b>15,673</b>       |
| Derivatives                                 | (3,546)                                    | (780)               | (132)                                      | (29)                |
| Other                                       | (528)                                      | (116)               | (73)                                       | (16)                |
| <b>Deferred Tax Liability</b>               | <b>(4,074)</b>                             | <b>(896)</b>        | <b>(205)</b>                               | <b>(45)</b>         |
| <b>Deferred Tax Asset/ (Liability), net</b> | <b>68,156</b>                              | <b>14,994</b>       | <b>71,035</b>                              | <b>15,628</b>       |

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

None (31 December 2019 - None).

**17. Information on other assets**

As of 31 March 2020, other assets amount to TL 16,322 (31 December 2019- TL 12,121) 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 31 MARCH 2020**

(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**

|                      | 31 March 2020 |          | 31 December 2019 |          |
|----------------------|---------------|----------|------------------|----------|
|                      | LC            | FC       | LC               | FC       |
| Forward transactions | -             | 1        | -                | -        |
| Swap transactions    | -             | -        | -                | -        |
| Futures transactions | -             | -        | -                | -        |
| Options transactions | -             | -        | -                | -        |
| Other                | -             | -        | -                | -        |
| <b>Total</b>         | <b>-</b>      | <b>1</b> | <b>-</b>         | <b>-</b> |

**3. Information on borrowings**

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

|  | 31 March 2020 |                | 31 December 2019 |                |
|--|---------------|----------------|------------------|----------------|
|  | LC            | FC             | LC               | FC             |
| Borrowings from the CBRT                   | -             | -              | -                | -              |
| From domestic banks and institutions       | 11            | 133,401        | 8                | 113,269        |
| From foreign banks, institutions and funds | 42,401        | 539,231        | 69,190           | 484,188        |
| <b>Total</b>                               | <b>42,412</b> | <b>672,632</b> | <b>69,198</b>    | <b>597,457</b> |

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

|                      | 31 March 2020 |                | 31 December 2019 |                |
|----------------------|---------------|----------------|------------------|----------------|
|                      | LC            | FC             | LC               | FC             |
| Short-term           | 42,412        | 235,593        | 69,198           | 188,249        |
| Medium and long-term | -             | 437,039        | -                | 409,208        |
| <b>Total</b>         | <b>42,412</b> | <b>672,632</b> | <b>69,198</b>    | <b>597,457</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 aims to have consistency on interest and maturities among assets and funding. The Bank funds its local currency assets mainly with its capital, funds borrowed and debt securities issued.

**4. Money Market Funds**

As of 31 March 2020, the Bank have money market borrowings amounting to TL 15,079 (31 December 2019 – 6,192 TL) through repo transaction and TL 20,758 (31 December 2019 – None) through Takasbank money market.

**5. Securities Issued**

|                   | 31 March 2020 |                | 31 December 2019 |                |
|-------------------|---------------|----------------|------------------|----------------|
|                   | LC            | FC             | LC               | FC             |
| Nominal           | 22,588        | 515,794        | 7,900            | 466,819        |
| Cost              | 22,202        | 515,794        | 7,748            | 466,819        |
| <b>Book Value</b> | <b>22,369</b> | <b>517,251</b> | <b>7,815</b>     | <b>468,149</b> |

The Bank netted TL 2,412 (31 December 2019 – TL 17,766) 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 31 MARCH 2020**

(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 31 March 2020, other liabilities amount to TL 19,147 (31 December 2019 - TL 17,615) and do not exceed 10% of total balance sheet.

**7. Information on financial lease agreements**

|              | 31 March 2020 |            | 31 December 2019 |            |
|--------------|---------------|------------|------------------|------------|
|              | Gross         | Net        | Gross            | Net        |
| Up to 1 Year | 75            | 58         | 88               | 71         |
| 1 – 4 Years  | 95            | 71         | 97               | 68         |
| Over 4 Years | -             | -          | 8                | 8          |
| <b>Total</b> | <b>170</b>    | <b>129</b> | <b>193</b>       | <b>147</b> |

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

None (31 December 2019 - None).

**9. Information on provisions**

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

None (31 December 2019 - None).

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

As of 31 March 2020, the Bank has no specific provision (31 December 2019 – None) and TL 6,562 (31 December 2019 – TL 7,387) provision for expected credit loss to the financial statements.

| Expected Credit Loss for Non-Cash Loans | 31 March 2020 | 31 December 2019 |
|---|---------------|------------------|
| 12 Months Expected Credit Loss          | 1,787         | 1,591            |
| Significant Increase in Credit Risk     | 4,775         | 5,796            |
| <b>Total</b>                            | <b>6,562</b>  | <b>7,387</b>     |

**c. Information on other provisions**

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

None (31 December 2019 - None).

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

Other provisions amount of TL 3,200 (31 December 2019 - TL 2,450) is comprising of provisions for bonuses and ongoing lawsuits.

(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 31 MARCH 2020**

(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

|   | 31 March 2020 | 31 December 2019 |
|---|---------------|------------------|
| <b>Balance at the Beginning of the Period</b> | <b>152</b>    | <b>219</b>       |
| Provisions Recognised During the Period       | 16            | (67)             |
| <b>Balance at the end of the period</b>       | <b>168</b>    | <b>152</b>       |

In addition, as of 31 March 2020, the Bank have unused vacation provision of TL 420 (31 December 2019 - TL 399).

**10. Information on taxes payable:**

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

**i. Information on tax provision**

The Bank recognized TL 1,825 as current tax liability as of 31 March 2020 (31 December 2019 - TL 798).

**ii. Information on taxes payable**

|                                   | 31 March 2020 | 31 December 2019 |
|-----------------------------------|---------------|------------------|
| Corporate Tax Payable             | 1,825         | 798              |
| Taxation on Marketable Securities | 7             | 14               |
| Property Tax                      | -             | -                |
| Banking Insurance Transaction Tax | 292           | 484              |
| Foreign Exchange Transaction Tax  | 9             | -                |
| Value Added Tax Payable           | 85            | 72               |
| Other                             | 233           | 349              |
| <b>Total</b>                      | <b>2,451</b>  | <b>1,717</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 31 MARCH 2020**

(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>31 March 2020</b> | <b>31 December 2019</b> |
|--|----------------------|-------------------------|
| Social Security Premiums – Employee                    | 115                  | 104                     |
| Social Security Premiums – Employer                    | 129                  | 117                     |
| 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                      | 8                    | 7                       |
| Unemployment Insurance – Employer                      | 16                   | 15                      |
| Other  | -                    | -                       |
| <b>Total</b>   | <b>268</b>           | <b>243</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 2019 - 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 2019 - None).

**14. Information on shareholders’ equity**

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

|                 | <b>31 March 2020</b> | <b>31 December 2019</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 2019 - 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 31 MARCH 2020**

(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 2019 - None).

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

|   | 31 March 2020 |          | 31 December 2019 |          |
|---|---------------|----------|------------------|----------|
|   | LC            | FC       | LC               | FC       |
| From investment and associates, subsidiaries and joint ventures (business partners) | -             | -        | -                | -        |
| Revaluation difference  | 228           | -        | 221              | -        |
| Foreign exchange difference   | -             | -        | -                | -        |
| <b>Total</b>  | <b>228</b>    | <b>-</b> | <b>221</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 31 MARCH 2020**

(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**

|   | 31 March 2020 | 31 December 2019 |
|---|---------------|------------------|
| Forward asset purchase and sale commitments     | 1,051         | -                |
| Forward deposit purchase and sale commitments   | -             | -                |
| Tax and fond liabilities from export commitment | -             | 17               |
| Other irrevocable commitments                   | -             | -                |
| <b>Total</b>                                    | <b>1,051</b>  | <b>17</b>        |

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

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

As of 31 March 2020, the Bank has letter of guarantee TL 342,636 (31 December 2019 - TL 332,031), letter of credit TL 10,844 (31 December 2019 - TL 598). As of 31 March 2020, the Bank has no other guarantees (31 December 2019 - TL 23,760).

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

As of 31 March 2020, the Bank has no other guarantees (31 December 2019 - TL 23,760).

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

|  | 31 March 2020  | 31 December 2019 |
|--|----------------|------------------|
| Non-cash Loans Given against Cash Loans              | 169,823        | 208,759          |
| With Original Maturity of 1 Year or Less Than 1 Year | -              | 67,309           |
| With Original Maturity of More Than 1 Year           | 169,823        | 141,450          |
| Other Non-cash Loans                                 | 183,657        | 147,630          |
| <b>Total</b>   | <b>353,480</b> | <b>356,389</b>   |

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

| 31 March 2020                       | I. Group       |                | II. Group     |               |
|-------------------------------------|----------------|----------------|---------------|---------------|
|                                     | LC             | FC             | LC            | FC            |
| <b>Non-Cash Loans</b>               | <b>177,796</b> | <b>126,405</b> | <b>16,431</b> | <b>32,848</b> |
| Letters of Guarantee                | 177,796        | 115,561        | 16,431        | 32,848        |
| Bank Acceptances                    | -              | -              | -             | -             |
| Letters of Credit                   | -              | 10,844         | -             | -             |
| Endorsements                        | -              | -              | -             | -             |
| Underwriting Commitments            | -              | -              | -             | -             |
| Factoring Guarantees                | -              | -              | -             | -             |
| Other Commitments and Contingencies | -              | -              | -             | -             |

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

(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 31 MARCH 2020**

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

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

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

|                                      | 31 March 2020  |               |                |               | 31 December 2019 |               |                |               |
|--------------------------------------|----------------|---------------|----------------|---------------|------------------|---------------|----------------|---------------|
|                                      | LC             | (%)           | FC             | (%)           | LC               | (%)           | FC             | (%)           |
| <b>Agricultural</b>                  | -              | -             | -              | -             | -                | -             | -              | -             |
| Farming and Stockbreeding            | -              | -             | -              | -             | -                | -             | -              | -             |
| Forestry                             | -              | -             | -              | -             | -                | -             | -              | -             |
| Fishing                              | -              | -             | -              | -             | -                | -             | -              | -             |
| <b>Manufacturing</b>                 | <b>1,857</b>   | <b>0.96</b>   | <b>10,844</b>  | <b>6.81</b>   | <b>1,857</b>     | <b>0.92</b>   | -              | -             |
| Mining                               | -              | -             | -              | -             | -                | -             | -              | -             |
| Production                           | 1,817          | 0.94          | 10,844         | 6.81          | 1,817            | 0.90          | -              | -             |
| Electric, Gas and Water              | 40             | 0.02          | -              | -             | 40               | 0.02          | -              | -             |
| <b>Construction</b>                  | -              | -             | -              | -             | -                | -             | -              | -             |
| <b>Services</b>                      | <b>192,353</b> | <b>99.03</b>  | <b>148,409</b> | <b>93.19</b>  | <b>199,590</b>   | <b>99.07</b>  | <b>154,925</b> | <b>100.00</b> |
| Wholesale and Retail Trade           | 26,402         | 13.59         | 707            | 0.44          | 26,470           | 13.14         | 37,737         | 24.36         |
| Hotel, Food and Beverage Services    | 83             | 0.04          | -              | -             | 83               | 0.04          | -              | -             |
| Transportation and Telecommunication | 4,000          | 2.06          | 47,926         | 30.09         | 4,000            | 1.99          | 43,618         | 28.15         |
| Financial Institutions               | 161,550        | 83.18         | 85,355         | 53.60         | 168,719          | 83.74         | 60,246         | 38.89         |
| Real Estate and Leasing Services     | 318            | 0.16          | 14,421         | 9.06          | 318              | 0.16          | 13,324         | 8.60          |
| 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>194,227</b> | <b>100.00</b> | <b>159,253</b> | <b>100.00</b> | <b>201,464</b>   | <b>100.00</b> | <b>154,925</b> | <b>100.00</b> |

**2. Information on derivative transactions**

|   | 31 March 2020  | 31 December 2019 |
|---|----------------|------------------|
| Trading Derivative Financial Instruments                    |                |                  |
| <b>Foreign Currency Transactions (I)</b>                    | <b>195,149</b> | <b>23,593</b>    |
| Forward Foreign Currency Buy/Sell Transactions              | 68,673         | 23,593           |
| Foreign Currency Swap-Buy-Sell Transactions                 | 126,476        | -                |
| Futures Transactions  | -              | -                |
| Options-Buy-Sell Transactions                               | -              | -                |
| <b>Interest Rate Transactions (II)</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>A. Total Trading Derivative Transactions (I+II+III)</b>  | <b>195,149</b> | <b>23,593</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>Total Derivatives (A+B)</b>                              | <b>195,149</b> | <b>23,593</b>    |

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

None (31 December 2019 - 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 31 MARCH 2020**

(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)**

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

As of 31 March 2020, the Bank has booked the provision for its ongoing lawsuits amounting TL 50 to the financial statements (31 December 2019 - 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 31 MARCH 2020**

(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>**

|  | 31 March 2020 |               | 31 March 2019 |              |
|--|---------------|---------------|---------------|--------------|
|  | LC            | FC            | LC            | FC           |
| Short-term Loans   | 8,981         | 2,624         | 15,282        | 1,203        |
| Medium/Long-term Loans                                   | 1,882         | 9,282         | 3,195         | 7,898        |
| Interest on Loans Under Follow-up                        | 303           | 179           | -             | -            |
| Premiums Received from Resource Utilization Support Fund | -             | -             | -             | -            |
| <b>Total</b>   | <b>11,166</b> | <b>12,085</b> | <b>18,477</b> | <b>9,101</b> |

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

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

|                              | 31 March 2020 |            | 31 March 2019 |            |
|------------------------------|---------------|------------|---------------|------------|
|                              | LC            | FC         | LC            | FC         |
| From the CBRT <sup>(1)</sup> | -             | -          | 557           | -          |
| From Domestic Banks          | 23            | 370        | 1,623         | 444        |
| From Foreign Banks           | 23            | 18         | 5             | 185        |
| Branches and Offices Abroad  | -             | -          | -             | -          |
| <b>Total</b>                 | <b>46</b>     | <b>388</b> | <b>2,185</b>  | <b>629</b> |

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

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

|   | 31 March 2020 |              | 31 March 2019 |              |
|---|---------------|--------------|---------------|--------------|
|   | LC            | FC           | LC            | FC           |
| Financial assets at fair value through profit or loss             | -             | -            | -             | -            |
| Financial assets at fair value through other comprehensive income | 414           | -            | 386           | -            |
| Financial assets measured at amortized cost                       | -             | 1,835        | -             | 1,454        |
| <b>Total</b>  | <b>414</b>    | <b>1,835</b> | <b>386</b>    | <b>1,454</b> |

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

None (31 March 2019 - 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 31 MARCH 2020**

(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>**

|                             | 31 March 2020 |              | 31 March 2019 |              |
|-----------------------------|---------------|--------------|---------------|--------------|
|                             | LC            | FC           | LC            | FC           |
| <b>Banks</b>                | <b>997</b>    | <b>4,162</b> | <b>2,421</b>  | <b>3,026</b> |
| The Central Bank of Turkey  | -             | -            | -             | -            |
| Domestic Banks              | -             | 32           | 3             | 31           |
| Foreign Banks               | 997           | 4,130        | 2,418         | 2,995        |
| Branches and offices abroad | -             | -            | -             | -            |
| <b>Other Institutions</b>   | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>-</b>     |
| <b>Total</b>                | <b>997</b>    | <b>4,162</b> | <b>2,421</b>  | <b>3,026</b> |

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

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

None (31 March 2019 - None).

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

|                                       | 31 March 2020 |       | 31 March 2019 |       |
|---------------------------------------|---------------|-------|---------------|-------|
|                                       | LC            | FC    | LC            | FC    |
| Interest expense on securities issued | 296           | 4,390 | 2,420         | 3,469 |

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

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

**3. Information on dividend income**

None (31 March 2019 - None).

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

|  | 31 March 2020    | 31 March 2019    |
|--|------------------|------------------|
| <b>Income</b>  | <b>119,961</b>   | <b>158,752</b>   |
| Profit on trading account securities                       | -                | 78               |
| Profit on derivative financial transactions <sup>(1)</sup> | 5,028            | 33               |
| Foreign exchange gains                                     | 114,933          | 158,641          |
| <b>Loss (-)</b>  | <b>(117,884)</b> | <b>(159,585)</b> |
| Losses on trading account securities                       | -                | -                |
| Losses on derivative financial transactions <sup>(1)</sup> | (908)            | (448)            |
| Foreign exchange losses                                    | (116,976)        | (159,137)        |
| <b>Net Trading Income/Loss</b>                             | <b>2,077</b>     | <b>(833)</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 31 MARCH 2020**

(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 1,475 of reversal of prior year specific and expected credit loss provisions included on other operating income and there is no income regarding extraordinary accounts (31 March 2019 - TL 137).

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

|   | 31 March 2020 | 31 March 2019 |
|---|---------------|---------------|
| <b>Expected Credit Loss<sup>(1)</sup></b>   | <b>1,975</b>  | <b>2,017</b>  |
| 12 Month Expected Credit Loss (Stage 1)   | 1,823         | 1,427         |
| Significant increase in credit risk (Stage 2)   | 105           | 590           |
| Non-Performing Loans (Stage 3)  | 47            | -             |
| <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</b>  | <b>1,975</b>  | <b>2,017</b>  |

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

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

|  | 31 March 2020 | 31 March 2019 |
|--|---------------|---------------|
| Reserve for employee termination benefits <sup>(1)</sup>                                       | 36            | 19            |
| Bank social aid fund deficit provision   | -             | -             |
| Fixed assets impairment expense  | -             | -             |
| Depreciation expenses of fixed assets  | 840           | 580           |
| Intangible assets impairment expense   | -             | -             |
| Goodwill impairment expense  | -             | -             |
| Amortization expenses of intangible assets   | 514           | 187           |
| 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 | -             | -             |
| <b>Other operating expenses</b>  | <b>1,955</b>  | <b>1,615</b>  |
| Leasing expenses related to TFRS 16 exemptions   | 6             | -             |
| Maintenance expenses   | 240           | 79            |
| Advertisement expenses   | 270           | 64            |
| Other expenses   | 1,439         | 1,472         |
| Loss on sales of assets  | -             | -             |
| Other  | 2,276         | 1,545         |
| <b>Total</b>   | <b>5,621</b>  | <b>3,946</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 31 MARCH 2020**

(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 17,850, net commission fee income amounting to TL 741, trading gain amounting to TL 2,077, other operating income amounting to TL 2,345, provision for loan losses and other receivables amounting to TL 1,975 and other operating expenses including personnel expenses amounting to TL 10,144.

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

As of 31 March 2020 the Bank has current tax expense TL 1,785 (31 March 2019 - TL 4,207) and the Bank has deferred tax income amounting to TL 1,072 and deferred tax expense amounting to TL 1,704 (31 March 2019 - TL 455 deferred tax income).

As of 31 March 2020, 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 8,477 (31 March 2019 - TL 12,804 profit).

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

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

None (31 March 2019 - 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 31 MARCH 2020**

(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 31 March 2020, The Bank has booked TL 228 gain (31 December 2019 – TL 221 gain) 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 30 March 2020, TL 25,734 prior year’s income has been transferred to legal reserves.

**3. Information on distribution of profit**

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 31 MARCH 2020**

(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>31 March 2020</b> | <b>31 March 2019</b> |
|---|----------------------|----------------------|
| <b>Cash</b>   | <b>122,519</b>       | <b>92,901</b>        |
| Cash and Foreign Currency Cash                            | 13                   | 14                   |
| Turkish Central Bank                                      | 122,506              | 92,887               |
| Other   | -                    | -                    |
| <b>Cash Equivalents</b>                                   | <b>113,610</b>       | <b>184,313</b>       |
| Banks   | 113,610              | 101,758              |
| Interbank Money Market Placements                         | -                    | 82,555               |
| <b>Total Cash and Cash Equivalents</b>                    | <b>236,129</b>       | <b>277,214</b>       |
| Blocked amounts on cash and cash equivalents              | -                    | -                    |
| Interest income rediscounts on cash and cash equivalents  | (1)                  | (1,282)              |
| Cash equivalents with a maturity longer than three months | -                    | -                    |
| Restricted reserve deposits                               | (120,994)            | (90,191)             |
| <b>Cash Flow Statements Cash and Cash Equivalents</b>     | <b>115,134</b>       | <b>185,741</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 3,539 (31 March 2019 - TL 3,711) 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 240 (31 March 2019 - TL 594) 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 48,471 (31 March 2019 – 4,301) 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 7,599 (31 March 2019 – TL 1,860 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 31 MARCH 2020**

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

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

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

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

**a. Current Period**

| Bank’s Risk Group                       | Investments in Associates, subsidiaries, and joint ventures |          | Direct and indirect shareholders of the Bank |          | Other real and legal persons that have been included in the risk group |          |
|---|---|----------|--|----------|--|----------|
|   | Cash  | Non-Cash | Cash   | Non-Cash | Cash   | Non-Cash |
| Loans                                   |   |          |  |          |  |          |
| Beginning of the Period                 | -   | -        | -  | 26,610   | 202,650  | 33,718   |
| End of the Period                       | -   | -        | -  | 48,154   | 221,592  | 37,283   |
| Interest and Commission Income Received | -   | -        | -  | 32       | 5,271  | 193      |

**Prior Period**

| Bank’s Risk Group                       | Investments in Associates, subsidiaries, and joint ventures |          | Direct and indirect shareholders of the Bank |          | Other real and legal persons that have been included in the risk group |          |
|---|---|----------|--|----------|--|----------|
|   | Cash  | Non-Cash | Cash   | Non-Cash | Cash   | Non-Cash |
| Loans                                   |   |          |  |          |  |          |
| Beginning of the Period                 | -   | -        | -  | 22,983   | -  | 69       |
| End of the Period                       | -   | -        | -  | 26,610   | 202,650  | 33,718   |
| Interest and Commission Income Received | -   | -        | -  | 77       | -  | -        |

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

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

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

As of 31 March 2020, there are no derivative transactions with the Bank’s Risk Group (31 December 2019 - None). As of 31 March 2020, the bank has TL 131 and 131 TL asset purchase and sale commitments, respectively. As of 31 March 2020, the Bank has TL 66 (31 December 2019 - TL 80). of borrowers’ funds from its risk group and TL 1,340 placement to group banks (31 December 2019 - TL 794). As of 31 March 2020, the Bank has borrowings and money market transaction from its risk group amounting to TL 55,213 (31 December 2019 - TL 68,526). Additionally, TL 476,920 of the securities issued abroad were purchased by the Bank’s risk group (31 December 2019 - TL 430,655).

**d. Information on key management compensation**

As of 31 March 2020, total benefits paid key management amounts to TL 1,007 (31 March 2019 - TL 1,934).

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

None (31 December 2019 - 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 31 MARCH 2020**

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

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

**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

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

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

| <b>FITCH</b>             | <b>December 2019</b> |
|--------------------------|----------------------|
| National Long Term (tur) | BBB+ Stable          |

**b. Establishment of Asset Finance Fund**

PASHA Yatırım Bankası A.Ş First Asset Finance Fund (“Fund”) was established with the approval of the Capital Markets Boards, Department of Financial Affairs, with the approval of 17 January 2020. The Fund made its first issuance on a total amount of TL 20 million on February 27, 2020.

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

None.

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT**

**I. EXPLANATIONS ON REVIEW REPORT**

The unconsolidated financial statements for the period ended 31 March 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited) and the independent auditor’s limited report dated 22 April 2020 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 31 MARCH 2020**

(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,

In general, the first quarter is characterized with totally opposite picture in the overall economic and market landscape. In the beginning of the quarter, we were witnessing acceleration of the Turkish economy as it exit from the recession, in the last month of the quarter, we confronted with real economic storm stemmed from COVID-19 pandemic and consequent sharp deterioration of confidence across the globe. This unique circumstance is not analogy of past depressions, therefore in its essence is unprecedented which the latter ultimately requires very customized and tailored business management.

In a nutshell, the overall economic activity is compressed as a result of taken measures by the government. The emerging reality has nearly impacted all sectors, regardless of the scale of severity of the impact, but the positive fact is that this shock in the end is temporary, basically it is supposed to be out of the agenda within a certain period of time. Additionally, it is worth immediately to be mentioned that quick recovery to pre-pandemic period would not be easy, since normal flow of capital, labor etc. between countries would need some lag. Therefore, business management decision should consider all aspects of this unprecedented event and act accordingly.

So far, the overall banking system has succeeded to maintain risks within the acceptable levels, and profitability at two-digit territory. But it is a fact that, overall slowdown in the economy, is being reflected into the performance indicators of the banking system. In any way, according to latest data, the total assets of the system in the end of February has increased by 20% as opposed to prior year and reached TL 4,713 billion. The same trend applies to credit portfolio. Total credits of the industry reached TL 2,772 billion with an 14% 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 10% to reach TL 1,900 million when compared to the 2019 year-end. Our gross cash loan and leasing receivables portfolio, comprising 68% of total assets, reached TL 1,298 million with a 19% 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.

The year of 2020 is unique, since it is the final year for current strategy phase and the year ahead of upcoming 2021-23 strategy period. In general, the current strategy formulation process in the Bank has two edge; first one, is fine-tuning of 2020 strategy with the aim of consideration new realities, the second one, working on strategy of the next period. Actually, the exercise is not limited with the calibration of the new realities, but extended with considering the longer horizon. In the end, it is supposed to calculate the probability of deviation from strategic KPIs and to formulate preventive measures or actions to bring the projections to the required path. In overall, the being designed strategy of the Bank would not only cover impressive bottomline performance, additionally, it would focus on introducing totally different value proposition to the market, which in turn acquire its aspiration from the values of shareholders.

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

**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

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**Message from the Chairman (continued)**

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.

The fact is that, the Bank has opportunity to attract funding from both Azerbaijan and Georgia, in case it sees favorable interest rate developments there, and this potential is being materialized during the current strategic period. We will maintain our prudent approach to managing credit risks so that the asset quality of the Bank is not affected by the current environment characterized with increasing 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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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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**Message by the General Manager**

Esteemed Stakeholders,

Turkish Lira exhibited a relative calm oscillating between 5.85-6.15 against USD in the first two months of the year. Bourse Istanbul 100 index once again rose to records levels at 123,500. However, with the outbreak of new coronavirus first spotted in China then fast spreading to Europe and tumbling oil prices coupled with deep worries for global recession forced FED and followed by other many central banks to rate cuts at extraordinary meetings. The announcements by FED and many central banks for providing the market with ample liquidity as a result of the pandemic also felt also in the USA, has not been sufficient to comfort the global markets. We witnessed the weakening of Turkish Lira to 6.70 against USD and Borsa Istanbul 100 index falling down to 85,000 following the emergence of the virus in Turkey in the second half of March. Turkish Central Bank cut rates by 225 base points in the first quarter and offered additional liquidity facilities to the markets. We believe Turkish Central Bank to continue with rate cuts along with extended liquidity measures in the second quarter of the year.

PASHA Bank, posted a net profit of 8.5 million in the first quarter of 2020, whereas asset size reached TL 1,900 million. At the same time, gross total cash and non cash loans including leasing receivables realized as TL 1,651 million, out of that amount TL 1,298 million consists of cash loans and leasing receivables.

We hope, this situation to be normalised starting summer months without knowing that when and how this virus will be eradicated. We also expect, in Turkey the inflation to be finish the year around 8-8.5% band and growth slowing down in the second and the third quarter, however commencing with its ascent to where it left off, of course dictated by the developments with regards to virus situation. We also strongly believe that, the Banking industry wich is off to a rocky in 2020 will successsfully see the year through.

Sincerely Yours,

**H. Cenk Eynehan**  
**General Manager and Board Member**

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**PASHA YATIRIM BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

(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 1<sup>st</sup> QUARTER REVIEWS**

|   | 31 March 2020    | 31 December 2019 |
|---|------------------|------------------|
| Cash and cash equivalents   | 235,906          | 313,522          |
| Financial assets at fair value through other comprehensive income | 24,455           | 16,824           |
| Derivative financial assets                                       | 3,546            | 132              |
| Loans   | 1,243,286        | 1,060,535        |
| Receivables from leasing transactions                             | 54,300           | 32,514           |
| Financial assets measured at amortized cost                       | 115,097          | 79,975           |
| Allowance for expected credit losses (-)                          | (49,866)         | (48,655)         |
| Tangible assets (Net)   | 90,031           | 90,238           |
| Intangible assets and goodwill (Net)                              | 5,666            | 6,077            |
| Investment properties (Net)                                       | 145,584          | 145,599          |
| Current tax assets  | 733              | 993              |
| Deferred tax assets   | 14,994           | 15,628           |
| Other assets  | 16,322           | 12,121           |
| <b>TOTAL ASSETS</b>   | <b>1,900,054</b> | <b>1,725,503</b> |

|                                     | 31 March 2020    | 31 December 2019 |
|-------------------------------------|------------------|------------------|
| Loans received                      | 715,044          | 666,655          |
| Money market fundings               | 35,837           | 6,192            |
| Marketable securities issued (Net)  | 539,620          | 475,964          |
| Funds                               | 37,112           | 14,971           |
| Derivative financial liabilities    | 1                | -                |
| Lease payables (Net)                | 129              | 147              |
| Provisions                          | 10,350           | 10,388           |
| Current tax liabilities             | 2,719            | 1,960            |
| Other liabilities                   | 19,147           | 17,615           |
| Shareholders' equity                | 540,095          | 531,611          |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>1,900,054</b> | <b>1,725,503</b> |

The Bank has completed first three months of 2020 with a profit figure of TL 8,477 according to unconsolidated results. Total unconsolidated assets of the Bank is TL 1,900,054 with an 10% increase compared to 2019 year-end.

The share of our securities in balance sheet is 7%, the loan and lease receivables are TL 1,297,586 increasing at a ratio of 19% compared to year end of 2019 and the share of loans and leasing receivables in total assets is 68%.

The unconsolidated capital adequacy ratio of the Bank is 28.65% as of 31 March 2020.

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

**C. EXPECTATIONS OF PASHA BANK REGARDING YEAR OF 2020**

PASHA Bank, expects the economic growth to stall for the second and third quarters, however gaining momentum at last quarter, and the inflation at 8-8.5% band on the back of falling demand and declining oil prices.

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