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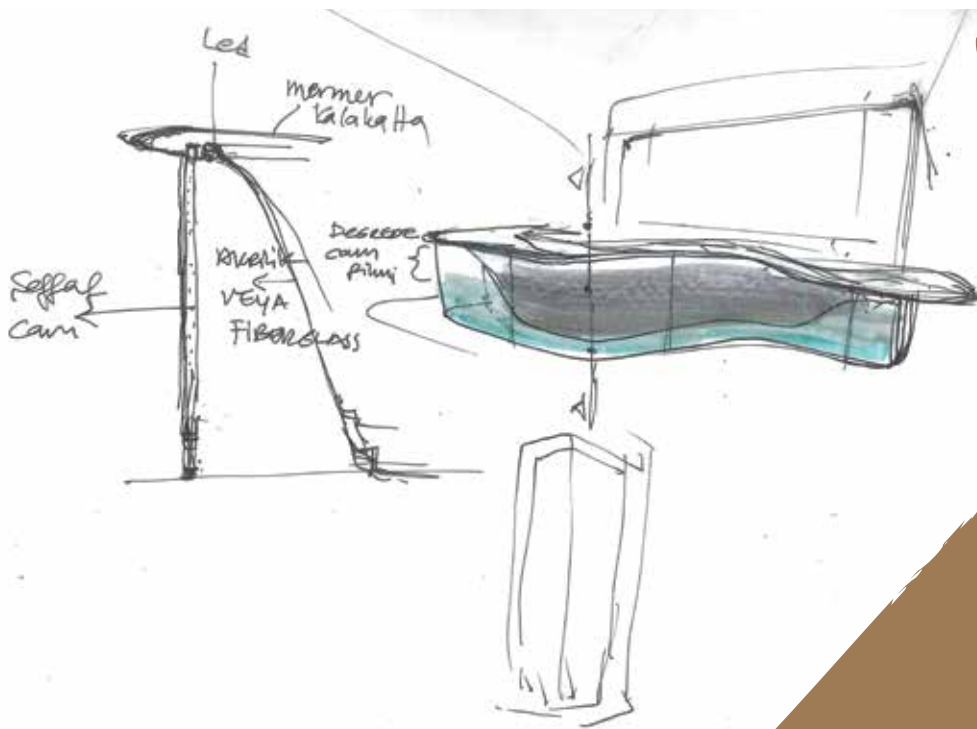
Year-End Financial Report

- 101 Publicly Announced Unconsolidated Financial Statements Together with Audit Report at 31 December 2019

Contact Information



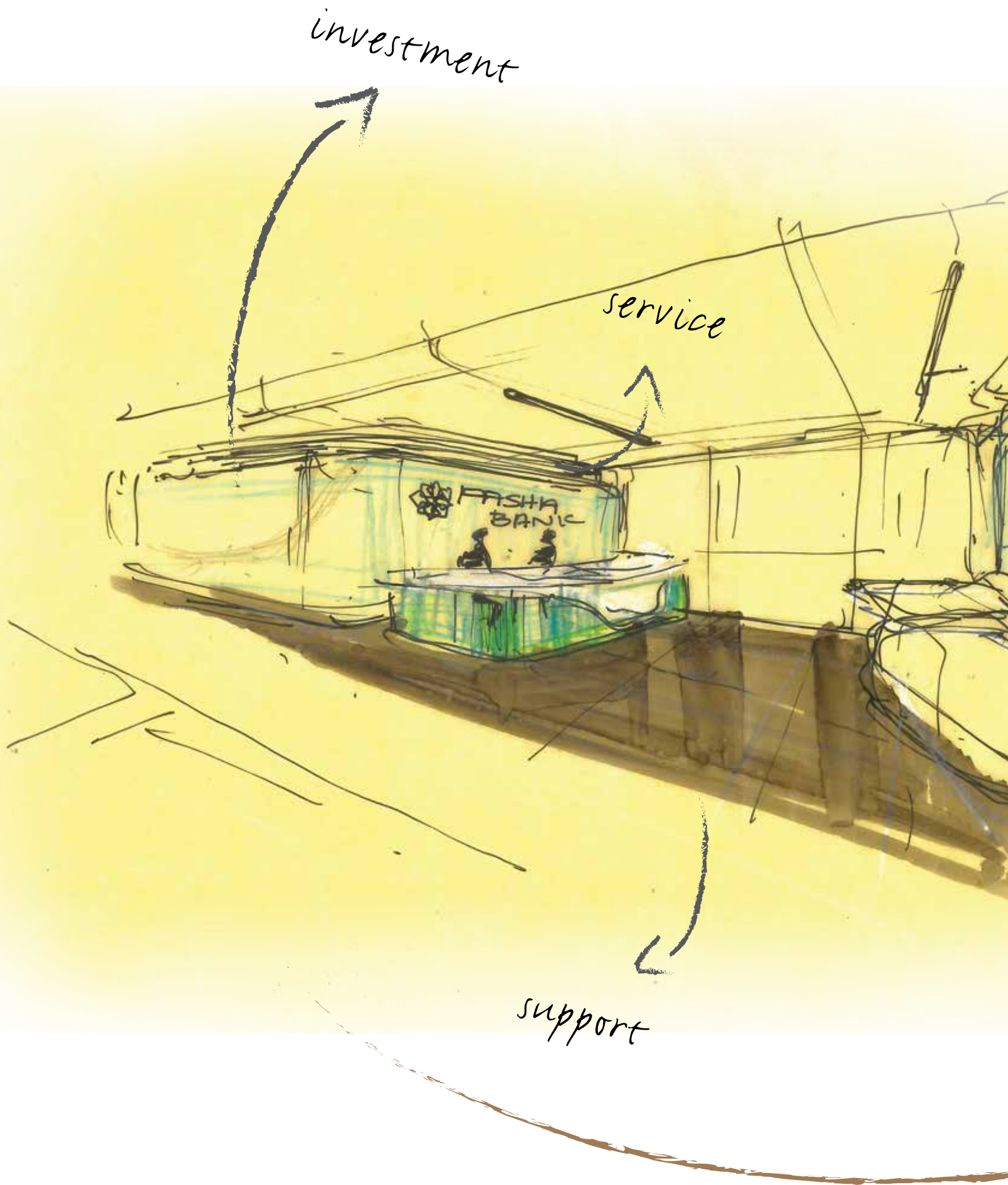
PASHA Bank's previous years
annual reports



we are by your side

Turkey- Azerbaijan- Georgia

TO CONTRIBUTE TO THE
IMPROVEMENT OF TRADE
BETWEEN THREE COUNTRIES,
TO PROVIDE SOURCES AND
GUIDANCE TO BUSINESSES THAT
INVEST IN THAT REGION...





We are Here...

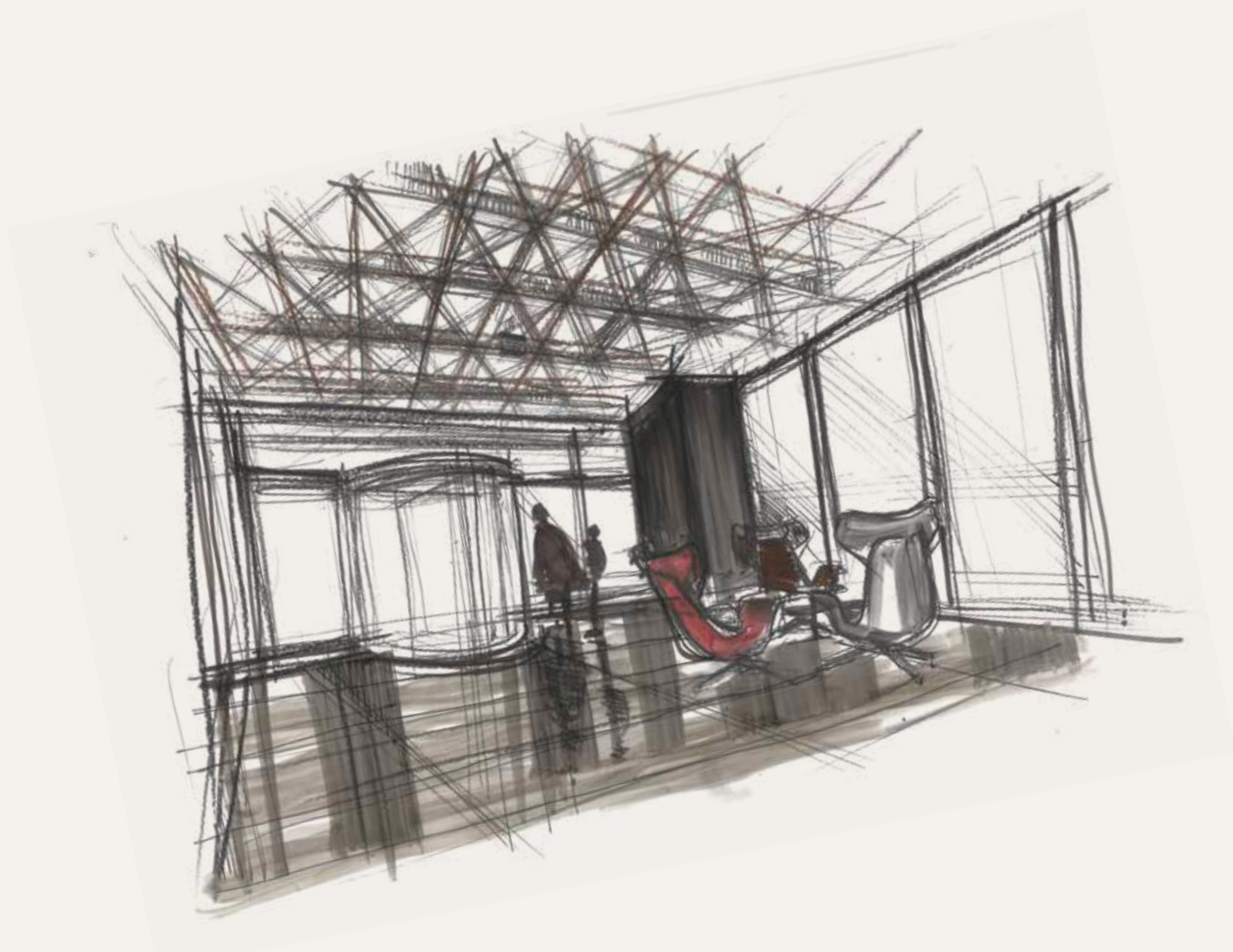
To support real sector, to
stand by our customers with
our investment and corporate
banking services...



Agenda of the Annual General Assembly Meeting

1. Opening; Election of the Meeting Chairman and empowering the Chairman to undersign the minutes of the Meeting and the participant list,
2. Reading summary of the Annual Activity Report of the Board and the Annual Report of the Bank, Independent Auditor's Report and Financial Statements and discussion and ratification of the Annual Report and Financial Report for the accounting period.
3. Submission for approval of the revised Dividend Policy in accordance with the Corporate Governance Principles promulgated by the Capital Markets Board of Turkey
4. Discussing the proposal of the Board of Directors on the Bank's Profit for the accounting year 2019 and adopting a resolution
5. Approval of the appointment of the board member who was elected to fill the vacant position during the previous year.
6. Releasing Board Members separately, who have served during the accounting period, with regard to their activities in the year 2019;
7. Determination of the number of the Board Members, election of the Board Members, and determination of their term of office and informing the shareholders about the external duties conducted by the Board Members and the grounds thereof in accordance with the Corporate Governance Principle no. 4.4.7. promulgated by Capital Markets Board.
8. Determination of remuneration of the Board Members,
9. Empowering shareholders having control in management, the Board Members, the top managers, their spouses, the relatives up to second kin and the relatives of marriage to conduct business with the Bank subject to the restrictions in Article 395 "Restrictions on Transactions with the Company and Borrowing" and Article 396 "Obligation Not to Compete" of the Turkish Commercial Code, without prejudice to the provisions of the Banking Law,
10. Election of the Independent Audit Institution that would undertake the independent audit of the Bank in 2020 in accordance with Article 399 of the Turkish Commercial Code,
11. Informing the shareholders with regard to the total bonus amount paid or to be paid to employees according to Bank's performance for the year 2019,

12. Informing the shareholders about remuneration principles of the Board Members and directors having the administrative responsibility and providing information to the shareholders on the total amounts of attendance right, wages, premiums, bonuses and dividends granted to the Board Members and executives in 2019 in accordance with the Corporate Governance Principle no. 4.6.2 promulgated by Capital Markets Board,
13. Informing the shareholders with regard to all donations and charities realized in the accounting period and their beneficiaries as per approved policy by the General Assembly in accordance with the Corporate Governance Principle no. 1.3.10 promulgated by Capital Markets Board
14. Informing the shareholders with regard to significant transactions executed in 2019 which may cause conflict of interest in accordance with the Corporate Governance Principle no. 1.3.6 promulgated by Capital Markets Board,
15. Wishes, suggestions and closing.



The Values That Will Carry PASHA Bank to the Future

INTEGRITY

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

QUALITY

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

COLLABORATION

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

ENTREPRENEURSHIP

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

PROFITABILITY

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

Vision - Mission

VISION

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

MISSION

- To become a cross-border bank empowering its customers;
- To be an international bank that adds value to the present and to the future;
- For our customers, through a high-quality, innovative and solution-oriented service concept;
- For our employees, through investing in their professional and personal development;
- For society and the world, through demonstrating social and environmental sensitivity;
- For our shareholders, by maintaining a robust financial structure and achieving steady growth and profitability.



Financial Highlights

PASHA Bank REALIZED A PROFIT OF TL 25.7 MILLION IN 2019.

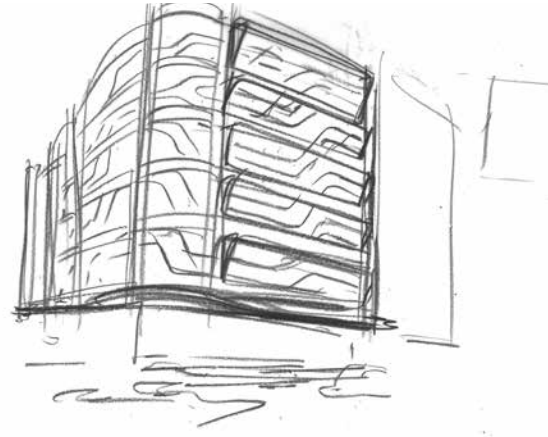
A summary of unconsolidated financial information of PASHA Yatırım Bankası A.Ş. for 2019 operations is presented below:

(TL thousand)	31.12.2019	31.12.2018
Cash and balances with the Central Bank, net	313,522	177,667
Assets Designated at Fair Value through P/L	-	2,787
Assets Designated at Fair Value Through Comprehensive Income	16,824	8,314
Financial Assets Measured with Amortized Cost, net	79,309	60,214
Loans and Lease Receivables, net	1,045,060	840,278
Other Assets	270,788	260,305
Total Assets	1,725,503	1,349,565
Credits Obtained	666,655	460,390
Due to Money Markets	6,192	-
Marketable Securities Issued	475,964	318,492
Other Liabilities	45,082	65,026
Paid-in Capital	500,000	500,000
Profit Reserves	5,655	5,655
Marketable Securities Valuation Reserves	221	(41)
Prior Years' Profit/(Loss)	43	3,606
Net Profit/(Loss)	25,691	(3,563)
Total Liabilities	1,725,503	1,349,565

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

(TL million)	Sector*	PASHA Bank	PASHA Bank's Share
Total Assets	4,491,090	1,726	0.04%
Shareholders' Equity	491,862	532	0.11%
Cash Loans	2,656,132	1,093	0.04%

* Source: BRSA, December 2019



TOTAL ASSETS (TL MILLION)



LOANS AND LEASE RECEIVABLES, NET (TL MILLION)



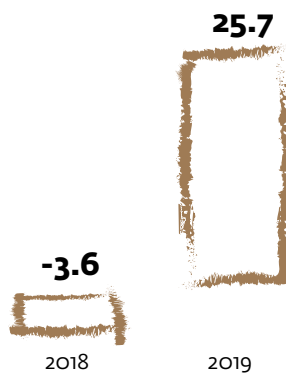
PASHA Bank's total
assets increased by
28% in 2019.

28%

MARKETABLE SECURITIES ISSUED (TL MILLION)



NET PROFIT/(LOSS) (TL MILLION)



Net credits and leasing
receivables were up by
24% in 2019.

24%

PASHA Bank's Historical Development and Milestones

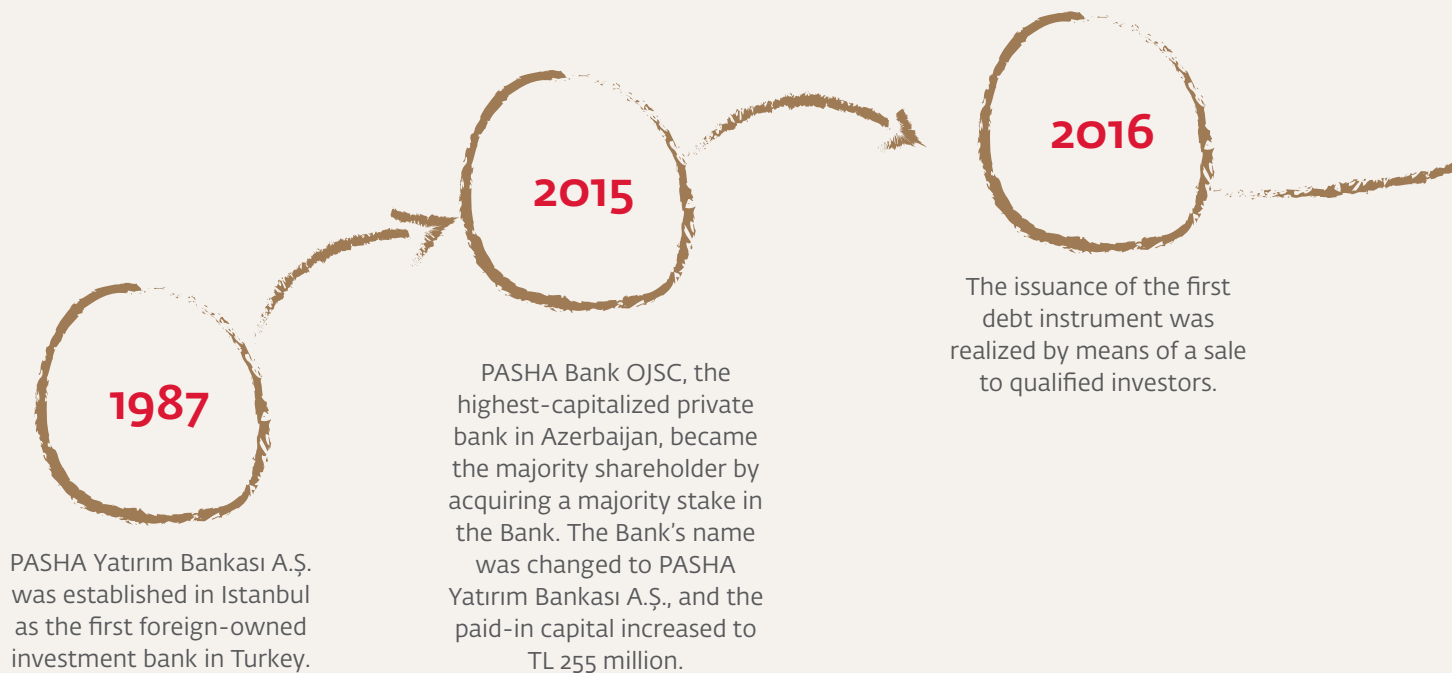
ESTABLISHED IN ISTANBUL ON 25 DECEMBER 1987, PASHA YATIRIM BANKASI A.Ş. WAS THE FIRST FOREIGN INVESTMENT BANK IN TURKEY.

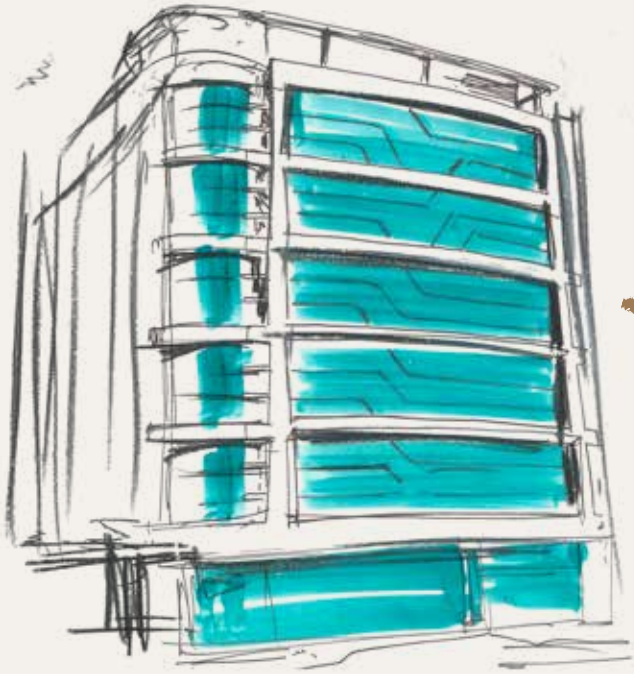
Established in Istanbul on 25 December 1987 under the name Yatırım Bank A.Ş., PASHA Yatırım Bankası A.Ş. was the first foreign investment bank in Turkey. The Bank provided services under the management of different shareholder groups until 2015.

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

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

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





2017

The first M&A transaction was finalized.

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

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

2018

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

2019

Moved to its new headquarters building on Eski Büyükdere Street.

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

Changes in Articles of Association, share Capital, shareholding and Organization Structures of PASHA Bank

As of 31 December 2019, paid-in-capital of the Bank is TL 500 million and there were no changes in the Bank's share capital, Articles of Association and direct ownership structure during this period.

Share capital and ownership structure as of the reporting period is presented below:

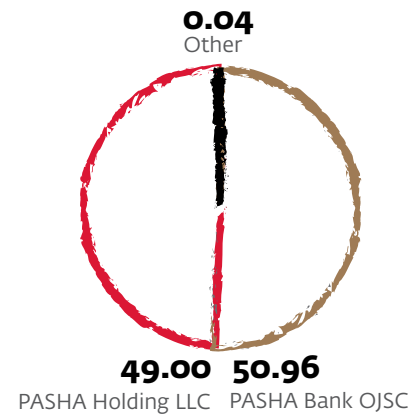
Shareholder's Trade Name/Full Name	Share Amount (TL)	Ratio (%)
PASHA Bank OJSC	254,795,000	50.96
PASHA Holding LLC	245,000,000	49.00
Other	205,000	0.04
Total	500,000,000	100.00

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

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

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

SHAREHOLDING STRUCTURE



PAID-IN-CAPITAL OF PASHA Bank IS TL 500 MILLION AS OF 2019 YEAR-END.

Organization Structure

Organization structure of the Bank was revised in accordance with the Board resolution dated 20 June 2019 and the following changes were made for various functions, in line with the anticipated growth based on 2018-2020 strategy:

Reorganization in Units directly reporting to CEO:

- "Treasury" and "Financial Institutions and Investor Relations" units were reorganized under "Treasury and Financial Institutions Directorate".
- "Credit Monitoring" Unit started to report directly to CEO.
- "Human Resources and Administrative Affairs" Unit was divided into two and "Human Resources" Unit started to report directly to CEO.
- Name of "Legal and Regulations" unit was changed as "Legal Unit" without any changes in its functions.
- Name of "Corporate Secretary and Sustainability Management" unit was changed as "Corporate Secretary".

Reorganization in units directly reporting to Deputy CEO-Marketing:

- Administrative Affairs Unit started to report to Deputy CEO-Marketing.

Reorganization in units directly reporting to Deputy CEO-Credits:

- Name of "Credit Underwriting and Intelligence" Unit which performs credit allocation, financial analysis and intelligence functions was changed as "Credits".
- "Information Technologies and Security" Unit was divided into two units as "Information Technologies" and "Information Security".
- These two units and "Change and Project Management" Unit started to report to the newly established Directorate which reports to the Deputy CEO.

Reorganization in units directly reporting to Deputy CEO-Finance:

- Legal Reporting function under Accounting and Legal Reporting Unit has been transferred to "Financial Planning, Strategy and Budgeting" Unit and the name was changed as "Financial Planning, Control and Strategy".
- "Accounting" Unit will take over accounting and tax functions and will continue to report to the same Deputy CEO.

Reorganization in units directly reporting to Deputy CEO-Operations:

- A new Deputy CEO position was established which will be responsible from Operations.

Reorganization in units reporting to Risk Management Committee:

- "Internal Control" Unit which has been previously reporting to the Audit Committee, started to report to the Risk Management Committee through the newly formed Directorate and "Compliance" Unit started to report directly to the Risk Management Committee.

About the PASHA Group

AZERBAIJAN'S LEADING CORPORATE BANK PASHA Bank OJSC OFFERS A WIDE RANGE OF FINANCIAL PRODUCTS ON FOREIGN TRADE FINANCING TO ITS CUSTOMERS.

PASHA Bank Azerbaijan

PASHA Bank OJSC is one of the leading corporate banks in Azerbaijan. Established in 2007, the Bank provides a range of corporate banking services, including loans, securities, current account and treasury services, to domestic clients, as well as to foreign companies seeking to conduct business in the region. The Bank offers a range of financial products backed by trade finance-related partnerships with international banks and financial institutions. The Bank also offers underwriting services to legal entities and was the first in the local securities market to act as a market maker. Additionally, PASHA Bank OJSC provides a wide range of financial products to finance foreign trade in collaboration with international banks and financial institutions.

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

PASHA Bank OJSC serves in its Baku-based Headquarters and its nine branches. The Bank's long-term regional strategy includes creating interconnected banking operations to facilitate the rapidly growing trade and deal flow between Baku, Tbilisi and Istanbul, the three most vibrant markets in the region.

The Bank opened its first subsidiary, PASHA Bank Georgia, in 17 December 2012.

Performance crowned with awards

2011

- EMEA Finance - "Best Investment Bank of Azerbaijan"

2012

- EMEA Finance - "Best Investment Bank of Azerbaijan"

2013

- EMEA Finance - "Best Investment Bank of Azerbaijan"
- EMEA Finance - Europe Banking Awards "Best Corporate Social Responsibility (CSR) Program in Europe"
- World Finance - PASHA Bank's Private Banking Unit: "Best Private Bank in Azerbaijan"
- BNE survey - "Best Bank in Azerbaijan"

2014

- EMEA Finance - Europe Banking Awards "Best Bank in Azerbaijan"
- Commerzbank AG - "Trade Award" in recognition of its active involvement in trade financing in Azerbaijan

2015

- EMEA Finance - Europe Banking Awards - "Best Bank in Azerbaijan"

2016

- Global Finance - "Azerbaijan's Best Bank and Banking Group"
- World Finance - "Best Commercial Bank"

2017

- Euromoney - "Best Bank in Azerbaijan"
- EMEA Finance - "Best Bank in Azerbaijan"
- EMEA Finance - "Best Investment Bank of Azerbaijan"
- EMEA Finance - Europe Banking Awards "Bank with Corporate Social Responsibility in CEE & CIS Countries"
- Global Finance - "Best Bank in Azerbaijan"

PASHA Bank OJSC is the highest-capitalized private bank in Azerbaijan, and ranks among the top-three banks in terms of total assets.

capital

AZN 435 million

2018

- Global Finance - "Best Private Bank",
- Global Finance - "Best Bank in Azerbaijan"
- World Finance - "SAP", "Best Trade Bank in Azerbaijan"
- The Banker - "The Bank of the Year"
- The Bank was selected as the "Leading Bank" in non-cash payments in the annual evaluation of the Central Bank of Azerbaijan and the Azerbaijan Bankers' Association.

International credit ratings

PASHA Bank received a long-term credit rating of 'BB-' and a short-term counterparty rating of 'B' from Standard & Poor's and a long-term credit rating of 'B+' and a short-term counterparty rating of 'B' from Fitch Ratings. PASHA Bank OJSC is part of the PASHA Group, a major investment holding group in Azerbaijan, with significant assets in insurance, property development, construction, tourism and other businesses.

As of 30 June 2019, PASHA Bank OJSC is the highest-capitalized private bank in Azerbaijan, with a total equity of AZN 435 million, and ranks among the top-three banks with total assets of AZN 4,483 million.

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

PASHA Bank Georgia

A subsidiary of PASHA Bank OJSC, PASHA Bank Georgia has offered corporate banking and investment banking services to large and medium-sized firms and retail banking products since its establishment in 2012.

As of 30 June 2019, PASHA Bank Georgia attained a GEL 492 million asset size. The Bank is an important player in the fields of corporate and investment banking in Georgia.

The Bank provides finance to the leading companies in Georgia and offers financial consulting services. It has also specialized in participating and/or leading the syndications of firms in different sectors. In the greatest M&A realized in Georgia to date, PASHA Bank Georgia acted as the second largest participant with PASHA Bank Turkey, in a first, as part of the cooperation between PASHA Group enterprises.

Overview of 2019 and Expectations for 2020

CENTRAL BANK'S MAINTAINING ITS TIGHT MONETARY POLICY BROUGHT A DECLINE IN INFLATION AND A SUBSEQUENT DECREASE IN INTERESTS.

IT IS ANTICIPATED
THAT FED WILL NOT
CHANGE INTEREST
RATES IN 2020.

Fed

Developments in trade negotiations between USA and China and concerns about Brexit process continued to impact global markets in 2019.

Negative impact of trade wars on global economy continued this year and will be a significant item on 2020 agenda as well. Data disclosed indicates that Asian economies continue to lose speed whereas increasing uncertainty resulted in an ease of monetary policies by leading Central Banks.

Increasing trend in oil prices continued with interruptions in supply by the leadership of OPEC countries, along with USA's sanctions against Iran and Venezuela and increase in geopolitical tensions in the Middle East.

In 2019, US Central Bank Fed realized three interest rate cuts although it was expected at the beginning of 2019 that it will increase interest rates twice during the year. At its monetary policy meetings held at July, September and October, Fed reduced policy interest rate by 25 basis points from 2,25%- 2,50% band to 1,50%-1,75% band. Fed also announced that it ceased balance sheet reduction. Powell, Fed Chairman stated that USA economy demonstrated a positive performance and interest rate cuts realized during the year brought a revival to the housing market.

US economy demonstrated a growth of 3.1%, 2.0% and 2.1% in three consecutive quarters, starting at the beginning of 2019 more favorable than expectations. Unemployment rate of the country has been at the lowest rate for the last fifty years. It is anticipated that monetary easing has ceased in USA and Fed will not change interest rates in 2020.

European Central Bank (ECB) decreased deposit interest rates by 10 basis points to -0.5% at its September 2019 meeting in line with expectations. The Bank also stated that they would purchase bonds at an amount of Euro 20 million starting from 1 November and will continue bond purchases as long as it is required.

ECB which announced that a portion of excess liquidity of banks would be exempt from negative interest under certain conditions, increased maturities from 2 years to 3 years in its program which facilitates financing for banks while providing a decrease in interest rates.

It is estimated that economy of the region will close 2019 with a growth rate of 1.1% and slowdown of the economy will continue in 2020. It is also anticipated that the ECB will not increase interests in 2020 and interest rates will remain at current or even lower rates.

BRITAIN'S EXIT FROM
EU WILL HAVE BEEN
REALIZED AS OF 31
JANUARY 2020.

Brexit

TCMB DROPPED
WEEKLY REPO
AUCTION INTEREST
RATE WHICH IS THE
POLICY INTEREST
RATE BY 1,200 BASIS
POINTS FROM
24.00% TO 12.00%
AT ITS MEETINGS
SINCE SEPTEMBER.

Following Theresa May's resignation and Boris Johnson's inauguration as Prime Minister, possibility of no-deal Brexit increased. Brexit planned for 31 October was postponed again and the Parliament took the decision of a general election before the postponed date of Brexit, which was originally the end of January. As a result of the general elections, Conservative Party lead by Boris Johnson came into power alone after two years. Boris Johnson's win by a landslide reduced uncertainties about Brexit process and Sterling gained value against US Dollars and Euro.

Britain's exit from EU will have been realized as of 31 January 2020.

Turkish economy recorded a growth rate of 2.6%, 1.5% and 0.9%, for the first three quarters of 2019, respectively, as a result of sharp price movements in 2018, in line with expectations.

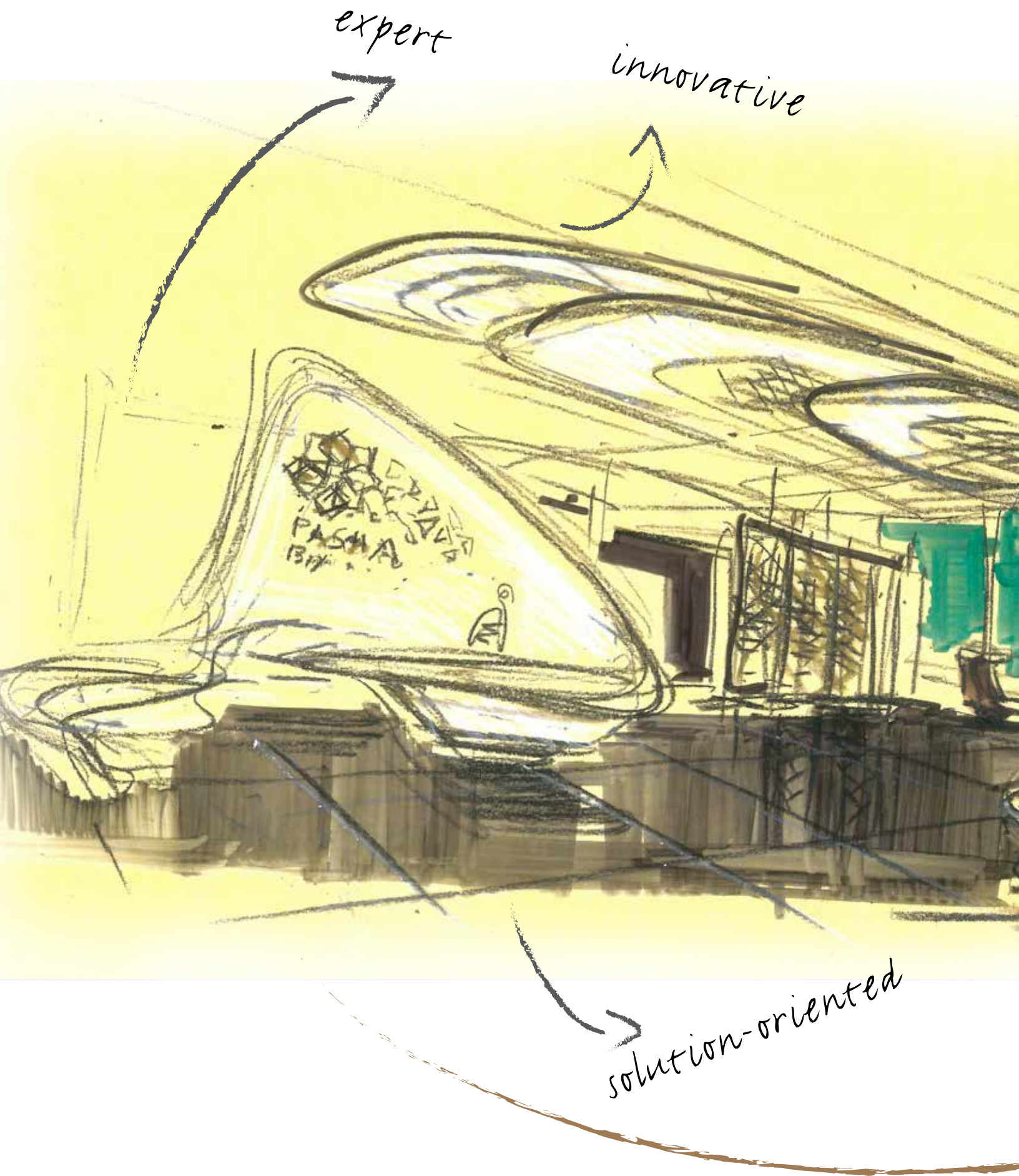
Central Bank of Turkey's (CBT) tight monetary policy standing brought along recess in inflation and a subsequent decrease in interests rates

Consumer price index which surged to 20.35% in January fell down to 8.55% in October. TCMB dropped weekly repo auction interest rate which is the policy interest rate by 1,200 basis points from 24.00% to 12.00% at its meetings since September. Thus, TCMB continued its steps supporting economic growth in line with central banks around the globe.

The 2020-2022 New Economy Program (NEP) announced in September 2019 which includes the Government's medium-term targets identified inflation as the key arena and stated that the objective was to maintain and develop outcomes achieved during the balancing period of 2019.

In this context, the target is to retain the improvements in current account balance and to keep current deficit/GDP ratio below 3%. Based on NEP, it is anticipated that Turkish economy will grow by 0.5% in 2019 and 5% in 2020; Consumer Price Index will be 12% at the end of 2019 and 8.5% at the end of 2020. In line with the expectation of single-digit inflation rates in 2020, TCMB is expected to decrease policy interest by 200-300 points to keep it at 9-10% band.

Impact of economic recovery in the second half of 2019, along with improvements in inflation and current account balance, positive changes are expected in Turkey's notes by rating agencies.





We are Here ...

with our expert human
resources, innovative business
model, robust financial
structure and solution-
oriented service approach for
better banking...



Message from the Chairman

THE YEAR OF 2019 IS ACTUALLY THE MID OF NEW 2020 STRATEGY OF PASHA BANK WHERE THE STRATEGIC OBJECTIVES HAVE BEEN SET LIKE CONTINUING AS AN INVESTMENT BANK, LEVERAGING UP, INCREASING PROFITABILITY AND ACHIEVING DIVERSIFICATION.

PASHA Bank AS A DYNAMIC MARKET PLAYER KEEPS GOING ON ITS HEALTHY EXPANSION.



Total assets of the banking system as of the end of December increased by 16% compared to prior year and reached TL 4,491 billion.

16%

THE NEW ECONOMIC PROGRAM AIMS TO ACHIEVE 5% ECONOMIC GROWTH IN MEDIUM TERM AFTER SINGLE-DIGIT INFLATION, LOW CURRENT ACCOUNT DEFICIT AND FALLING UNEMPLOYMENT RATE.

Esteemed Stakeholders,

The Turkish economy has exit from the recession occurred throughout the current year. According to the official statistics for third quarter, the economy has grown by 0.9% compared to the same quarter of the previous year. It seems that the government focuses on building the new economic structure by utilizing the favorable structural balance in the economy, namely positive current account balance. Ultimate goal in this new framework is to enter into sustainable economic growth path and have overall welfare to expand in the long-run.

It seems that economic growth is not the only indicator which shows recovery developments in the economy, the list of indicators is actually quite broad which includes industrial production, tourism and export, inflation, lending rates and others. In addition to that, newly announced New Economic Program of 2020-2021-2022 is expected to have some boost to overall weak recovery in the economy, since the Program envisages some institutional & structural reforms which play as bottleneck for economic growth. The fact is that, the Program targets 5% economic growth in the medium-term on the back of one-digit inflation, small current account deficit and declining unemployment rate.

Despite hard and challenging times, 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 December has increased by 16% as opposed to prior year and reached TL 4.491 billion. The same trend applies to credit portfolio. Total credits of the industry reached TL 2,656 billion with an 11% 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 28% to reach TL 1.725 million when compared to the same period of the prior year. Our gross cash loan and leasing receivables portfolio, comprising 63% of total assets, reached TL 1.093 million with a 28% increase.

*Aiming to
create value
for all of our
stakeholders*

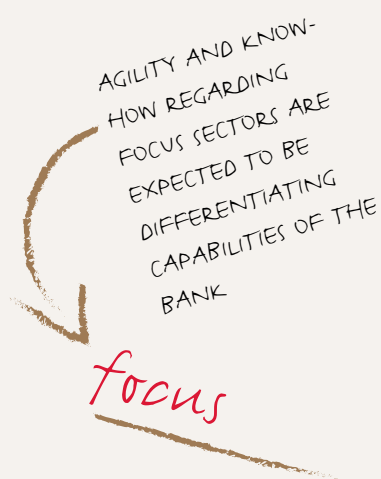
WE SHALL CONTINUE
TO MAKE BANKING
EXPERIENCE A GAINFUL
EXPERIENCE WITH PASHA
Bank.

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 2019 is actually the mid of new 2020 strategy of the Bank where the strategic objectives have been set like continuing as an investment bank, leveraging up, increasing profitability and achieving diversification. In overall, the designed strategy of the Bank doesn't only cover impressive bottomline performance, additionally, it focuses on introducing totally different value proposition to the market, which in

turn acquire its aspiration from the values of shareholders.

It is worth to remind that due to changing economic environment, the Bank has initiated revisiting of the current strategy. In essence, the ongoing process is not a change in strategy, but is fine-tuning with the aim of consideration tough economic realities. Within this exercise the Bank considers possible strategic options by understanding new market realities, in addition, studying experience of different investment banks across the world which ultimately results in a very good fine-tune of the current strategy.



WE WILL CONTINUE TO MAKE EFFORTS TO DIVERSIFY THE BANK'S FUNDING STRUCTURE AND EXPAND OUR CORRESPONDENT NETWORK AND INVESTOR BASE.

Actually, this exercise is not limited with the calibration of the current strategy, but extended with considering the next strategic period, even vision for 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 designed strategy of the Bank doesn't only cover impressive bottomline performance, additionally, it focuses on introducing totally different value proposition to the market, which in turn acquire its aspiration from the values of shareholders.

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

Message from the CEO

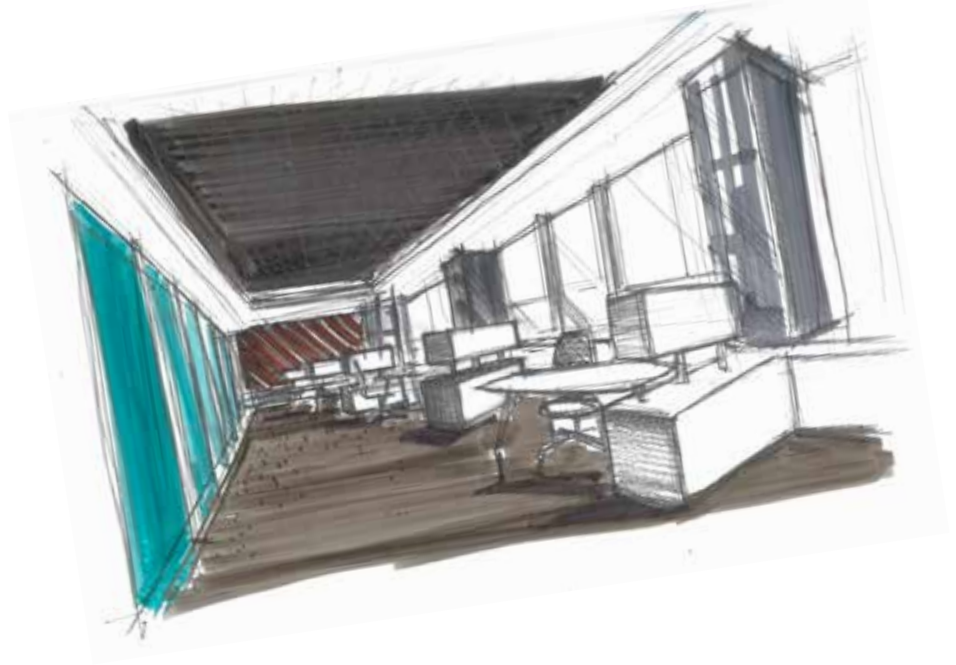
WE WILL CONTINUE TO SUPPORT OUR ECONOMY'S LONG-TERM VALUE GENERATING STRENGTH WITH OUR PRODUCTS, SERVICES AND SOLUTIONS IN ADDITION TO OUR ROBUST CAPITAL STRUCTURE, QUALIFIED HUMAN RESOURCES AND STRONG FINANCIAL STRUCTURE.

DURING THESE TIMES, OUR BANK HAS STOOD BY THE REAL SECTOR BY CONTINUOUSLY INCREASING ITS CREDIT PORTFOLIO.



OUR HEADQUARTERS
WAS MOVED TO OUR
NEW BUILDING WE
PURCHASED.

new building



Dear Stakeholders,

In accordance with our sustainable growth target as stated in our "New heights. Together." motto, our Bank increased its asset size by 28% as of 2019 year end to reach TL 1,725 million. Gross cash loans of our Bank also increased by 28% compared with 2018 and reached TL 1,093 million. Profit for the year 2019 was posted as TL 25.7 million.

Despite the challenging first half of the year, stabilized foreign currency rates, decreasing inflation and credit interest rates in the second half of 2019 supported the recovery in domestic demand. Regulations in minimum reserves by TCMB and government incentives in particular had a role on the increase in Turkish Lira loans.

Following the negative growth data announced in the first two quarters of the year, the economic growth rebounded back to positive territory in the third quarter. We expect an annual growth within the 0.50%-1.00% band based on the fact that Turkish economy had gained acceleration during the last quarter of 2019.

Policy interest, which was hiked up to 24% by TCMB in line with its tight monetary policy in 2018, was reduced by 1200 basis points to 12% in 2019. During the course of these actions, Turkish Lira maintaining its

stable trend against USD is a positive indicator of the balancing process. Inflation being below expectations at 11.84% and current account yielding surplus after many years are other favorable developments.

Trade war between China and USA, Brexit and potential impacts on EU, geopolitical risks in the Middle East, steps to be taken by central banks of developed countries and presidential elections which will take place in November in the USA will be the key topics that will define the topics of 2020 agenda.

During these times, our Bank has stood by the real sector by continuously increasing its credit portfolio.

With funds obtained from long-term bonds issued in foreign markets denominated in US Dollars and Euro and from foreign creditors, we participated in various syndication credits in addition to project financing, forfeiting, sale and leaseback transactions. Our Bank has also been a part of Credit Guarantee Fund in 2019 and will continue to provide financial support to small and medium sized enterprises through this channel in the following period.

Change and transformation started in 2018 for PASHA Bank and our Headquarters was moved to our new building purchased on Istanbul

OUR BANK HAS
ALSO BEEN A
PART OF CREDIT
GUARANTEE
FUND IN 2019 AND
WILL CONTINUE
TO PROVIDE
FINANCIAL
SUPPORT TO SMALL
AND MEDIUM
SIZED ENTERPRISES
THROUGH THIS
CHANNEL IN
THE FOLLOWING
PERIOD.

*PASHA Bank
always stands by
the real sector.*

BOND ISSUANCE IN EURO
COMPLETED IN 2019 BY
OUR BANK IS FIRST OF ITS
KIND IN AZERBAIJAN.

Büyükdere Street at the end of April 2019. Along with this move, our data center has been reestablished in accordance with the physical security circumstances and all system infrastructure was renewed. With the artificial intelligence features of our new generation server and storing units in our updated infrastructure, we aim to contribute to the performance and efficiency of our Bank.

In line with the improvements in our processes, we undertook improvements in our document management system. We expedited our activities for upgrading of our

Main Banking System to an upper version which includes new modules and new flows. Our target is to complete the project and implement the updated version in June 2020.

Within the same period, we continued our activities to develop our skilled and competent human resources in order to enhance our success. As the PASHA Bank family became stronger with the addition of new colleagues, we also took part in Organizational Health Index and Risk Health Index projects conducted by PASHA Group. Outcome of these projects allows us to hold a mirror before us and improve ourselves.

OUR BANK WILL
CELEBRATE ITS 5TH
YEAR ON 6 MARCH
2020.

5th year

IN 2020 PASHA BANK
WILL CONTINUE TO
PROVIDE FINANCIAL
SUPPORT TO
OUR INVESTORS,
PROVIDE
GUIDANCE ON
AND ENCOURAGE
INVESTMENTS
AND SUPPORT
DEVELOPMENT OF
TRADE BETWEEN
TURKEY.

In 2019, our Bank also took steps towards diversifying its operations in investment banking. As the venture capital investment funds becoming a focus area, we plan to invest in that area in 2020. Additionally, studies started to establish PASHA Bank Asset Financing Fund which will be an intermediary in asset backed securitization and providing funds from capital markets.

Bond issuance in Euro completed in 2019 by our Bank is first of its kind in Azerbaijan. US Dollar bonds issued by our Bank started to be traded on Baku Stock Exchange and are eligible to repo transactions in Baku Stock Exchange Repo Market.

International Credit Agency Fitch Ratings confirmed PASHA Bank's national credit note as BBB+(tur) with a Stable outlook. Additionally, JCR Eurasia Rating designated PASHA Bank's Corporate Governance Principles Compliance Note as 9.11.

Despite challenges on global, national and sectoral scales, PASHA Bank will continue to provide financial support to our investors, provide guidance on and encourage investments and support development of trade between Turkey, Azerbaijan and Georgia. Following the completion and launch of TANAP project in particular, we believe that foreign trade within this triangle will accelerate.

We will continue to support our economy's long-term value generating strength with our products, services and solutions in addition to our robust capital structure, qualified human resources and strong financial structure.

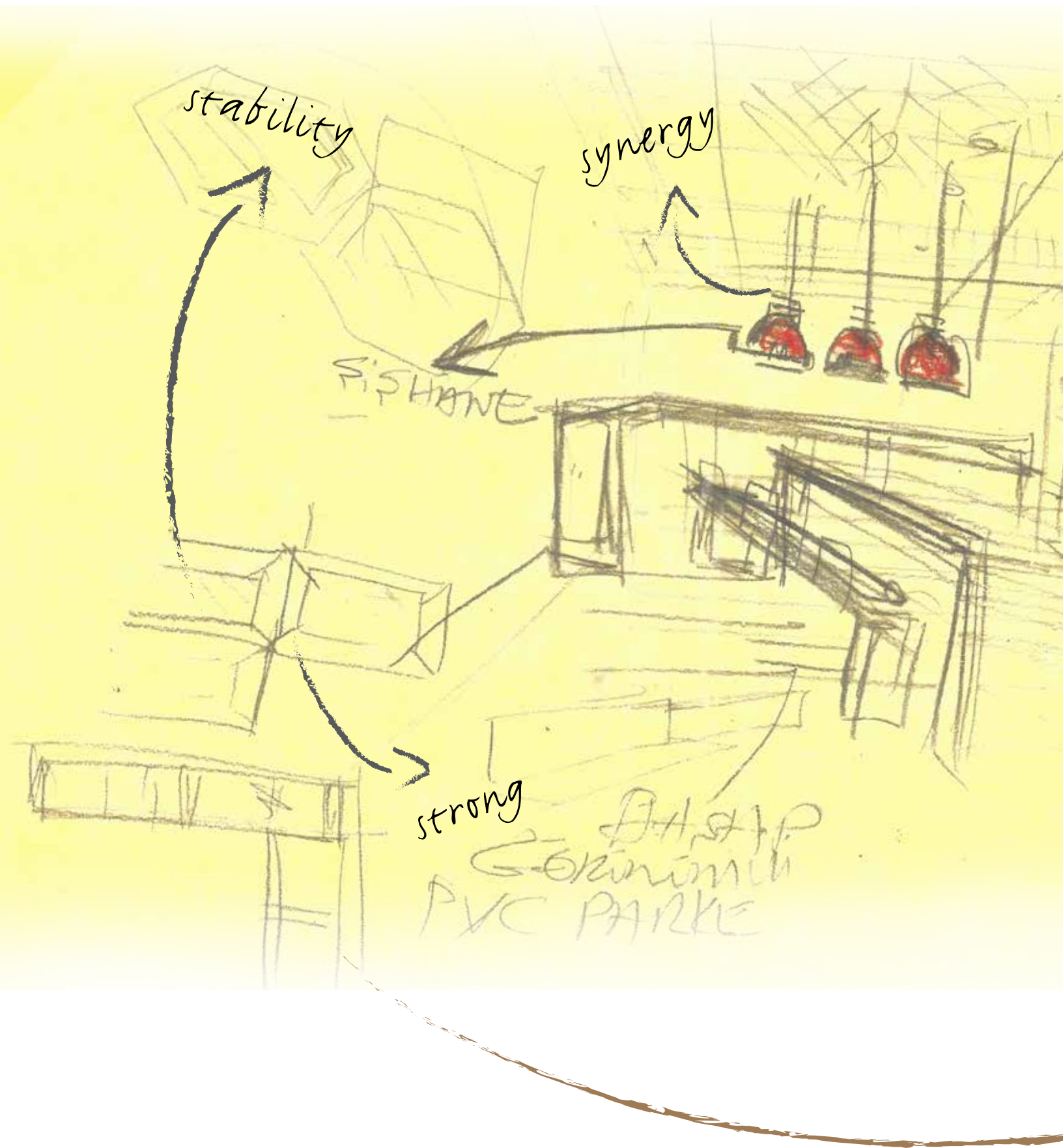
I would like to take this opportunity to express my gratitude to my valuable colleagues who carried our Bank to this date which will celebrate its 5th year on 6 March 2020. I would also like to thank our customers for their trust in us, members of our Board of Directors for their guidance and our shareholders for their contributions in our success.

We will continue to work with determination to reach new targets in the following period.

Yours respectfully,



H. Cenk EYNEHAN
CEO and Board Member





We are Here...

For strong returns with
a confidence in Turkey's
potential and future,
consistent growth of our
industry and the synergy
created by three countries...



Activities of PASHA Bank in 2019

PASHA Bank, CONTINUES ITS OPERATIONS IN TWO MAIN AREAS, CORPORATE AND INVESTMENT BANKING.

Boutique approach, effective service

PASHA Bank operates in two main areas, corporate and investment banking.

The Bank offers

- cash and non-cash loans,
- leasing,
- project financing,
- treasury and
- foreign trade products

under the corporate banking business line to satisfy the working

capital and investment needs of its customers.

Under the investment banking business line, the Bank provides its customers with

- structured funding and
- corporate finance products
- intermediation in issuance of debt instruments.

PASHA Bank achieved regular lending through bond and bill issues in the capital markets and secured funds

in various amounts with different maturities to diversify its funding sources. The Bank increased the amount and number of issues made to qualified investors in the domestic capital markets. In 2019, PASHA Bank successfully issued its second long-term Eurobond, denominated in USD and EUR, for qualified investors in Azerbaijan. Our US Dollar bonds are being traded on Baku Stock Exchange and can be used for repo and reverse repo transactions in Baku Repo Market.

In line with its boutique service approach and three-year strategy, PASHA Bank maintained a selective and limited customer base in order to provide its clientele with the most comprehensive and effective services. The Bank expects to maintain its high service quality, as well as its considerable agility in that area.

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

The core banking system was further improved to increase the efficiency of banking processes. A series of development projects was successfully completed within the IT infrastructure, in line with enhancements to core banking applications and the principles of compliance with COBIT processes, including: capacity increase; renewal of virtualization infrastructure; the establishment of a monitoring infrastructure; and backup and improvement of data transmission to the disaster recovery center.

In 2019, PASHA Bank operated with a team of 56 experienced and qualified employees at its Head Office in Istanbul.

Strategic Management

The strategic planning function is carried out by the Financial Planning, Control & Strategy Department, and Change & Project Management

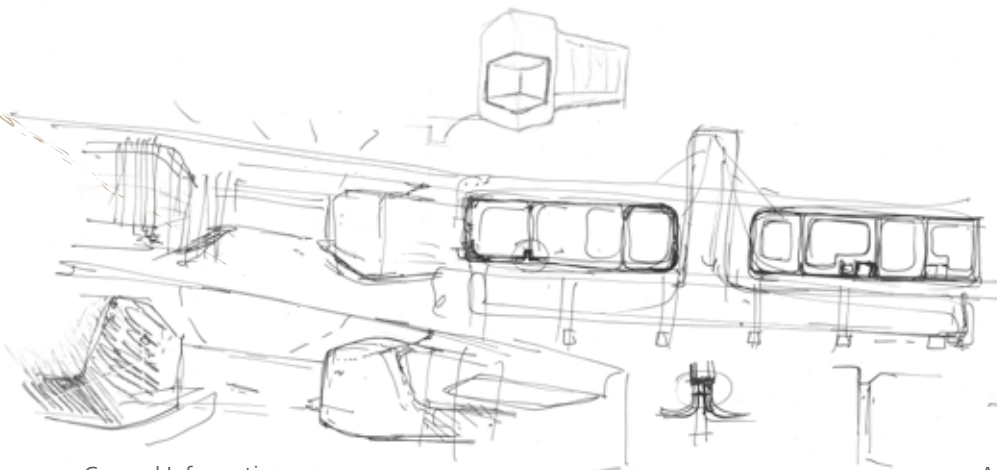
Department under the supervision of the Strategy and Budget Committee, which reports directly to the Board of Directors. The strategy function involves the processes of setting strategic priorities in line with the Bank's vision, as well as budget preparation and monitoring according to the business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

In the 2018-2020 strategic plan the strategic actions and projects were determined for setting 2019 goals and building the roadmap to achieve these goals, with all units working in line with the Bank's strategic priorities. Accordingly, business plans for marketing, corporate communications, human resources and information technologies were formulated.

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

In 2019, PASHA Bank operated with a team of 56 experienced and qualified employees.

56
employees



PASHA Bank's PRINCIPLE IS TO KNOW OUR CUSTOMERS WELL, TO TREAT THEM WITH INTEGRITY, AND TO CREATE RELATIONSHIPS BASED ON TRUST.

TRANSFERRING OF
BUSINESS PROCESSES TO
DIGITAL PLATFORM HAS
BEEN EXPEDITED WITH
THE CORE BANKING
PROJECT.

Digital

Transferring of business processes to digital platform has been expedited with the Core Banking Project.

The credit scoring system was reviewed in line with the objective of maintaining loan portfolio quality at the desired level; meanwhile, software development initiatives are ongoing.

Credit monitoring systems and early warning criteria were reviewed in order to establish more effective monitoring systems and systematic warning mechanisms were established. Restructuring processes were reviewed in line with changes in market conditions and regulations.

Treasury Management

The Treasury Department is tasked with managing PASHA Bank's assets and liabilities with optimal efficiency in conformity with the regulations of legal bodies, by actively monitoring market developments and taking all potential risks, particularly liquidity and pricing risks, into account. The Treasury Department performed trading transactions for profit on the inter-bank market in line with the risk limits set by the Board of Directors.

PASHA Bank has increased its use of Treasury products to meet the needs of its customers. The Bank helps them hedge against risks by offering derivative products such as forwards and swaps at competitive prices, as well as structured products created in line with their needs. In addition to its TL-denominated

financing bond issues, it acts as an intermediary for the trading of other capital market instruments on Borsa Istanbul, while supporting customers in their investments with repo transactions denominated in Turkish lira and foreign currencies in various tenors. It also provides support to customers at home and abroad via daily newsletters and daily reports summarizing market developments, and guides the marketing of local financial products in the target region via instant notifications to the research departments in PASHA Bank Azerbaijan and Georgia of developments and opportunities in Turkey's financial markets. Similarly, economic developments in the region are being shared with investors through various bulletins and research reports working in cooperation with research units in Azerbaijan and Georgia. The Treasury Department aims in 2020 as well to manage risks in the most effective way in line with the Bank's risk management strategy. It plans to improve the structured products offered to domestic and foreign corporate customers and to play a role in expanding the diversification of potential customers and profitability in Azerbaijan and Georgia by offering them Turkish capital markets products.

PASHA Bank continued to support its business partners and exhibited a well-controlled growth with an open, rapid and accurate service approach within the frame of these principles where economic

Corporate Banking Activities

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

"Boutique Service"

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

"Continuous Development"

principle: Having adopted a corporate governance approach and continuous development principle, the Bank follows current developments in the finance sector, and offers customized solutions to its customers by correctly identifying their needs and by improving its service infrastructure. PASHA Bank's objective is to foresee the future needs of customers by staying attentive to ever-increasing competition and ongoing developments, both worldwide and in Turkey. In this manner, we offer our customers the financing alternatives most suitable for them, whereby the Bank adopts the principle of enjoying mutual gains.

"Customer Loyalty"

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

"Regional Player"

principle: PASHA Bank is the only bank established in Turkey with main shareholders based in Azerbaijan. With the power it derives from shareholders who are among the leading groups in Azerbaijan, and the opportunity for cooperation thanks to the sister company operating in Georgia, the Bank serves firms that perform trading activities in the region. It is also the only bank in Turkey to perform transactions in Azerbaijan manat and Georgian lari.

PASHA Bank PLAYED AN ACTIVE ROLE IN OFFERING FINANCIAL MODELS TO ITS CUSTOMERS IN PROJECT FINANCING AND SYNDICATION CREDIT AREAS IN 2019.

IN 2020, THE BANK AIMS TO INCREASE ITS SHARE IN FINANCING INVESTMENTS IN RENEWABLE ENERGY INDUSTRY BY CLOSELY MONITORING DEVELOPMENTS AND INVESTMENTS IN THAT AREA.

*Project
Finance*

developments in the markets and foreign currency attacks of 2018 still have repercussions in 2019. In line with the economic developments in 2019 and within the frame of its customer-oriented service approach, the Bank concentrated on cash and non-cash credit transactions including leasing, project financing, syndication credits, foreign trade transactions for financing regional trade and forfeiting. Additionally, the Bank took a significant step in effective customer management approach through strategic partnership with the Credit Guarantee Fund in April 2019.

PASHA Bank pursued its target of being the "top of the mind branded Bank" in 2019 for companies which are willing to engage business activities in the triangle of "Turkey-Azerbaijan-Georgia" with its pursuit of innovative solutions increasing its transaction volume and diversity.

PASHA Bank's goal, from the very onset, has been to increase the export sales of its customers and take part in increasing the foreign trade volume between Turkey-Azerbaijan and Georgia using the recognition of its parent company PASHA Bank Azerbaijan and sister company PASHA Bank Georgia. The Bank conducts its vigorous marketing operations accordingly. PASHA Bank had an important role in increasing transaction volume

between these three countries by both being a part of syndication loans for financing investments in Azerbaijan and Georgia; and providing financial support by securing receivables of customers under the guarantee of PASHA Group.

The objective for 2020 is to achieve sustainable profitability and growth targets by increasing the volume and diversity of transactions both within Turkey-Azerbaijan and Georgia triangle and in domestic markets.

PASHA Bank played an active role in offering financial models to its customers in Project Financing and Syndication Credit areas in 2019 and despite challenging market conditions, established new limits for financing of investments in various sectors, particularly in energy and construction, both in corporate and commercial segments.

In 2020, the Bank aims to increase its share in financing investments in renewable energy industry by closely monitoring developments and investments in that area and to have a clout on business partnerships in investment financing in other sectors, as well.

LEASING (SALE AND
LEASEBACK) HAS BEEN
ONE OF THE PRIMARY
PRODUCTS OF PASHA
Bank IN 2019.

Leasing

In foreign trade area, PASHA Bank provided financial resources to its customers, particularly through forfeiting transactions.

With its expanding team and developing infrastructure, the Bank will offer faster solutions to its customers in 2020 in accordance with its strategy by expanding its correspondence network and product variety.

Leasing (sale and leaseback) has been one of the primary products of PASHA Bank in 2019, as in prior years and the Bank continued to provide financing to its customers via this product.

Independent from periodic macro developments, PASHA Bank will continue searching for solutions tailored to its customers' needs which is the basis of its strategy by monitoring and developing new products in line with market conditions. It will also continue to finance the operations and investments of the real economy in 2020, particularly energy and tourism sectors.

Financial Institutions and Investor Relations Services

Financial Institutions and Investor Relations Unit continued to contribute to the increase in foreign trade and interbank treasury transactions mediated by PASHA Bank by expanding its correspondence network and establishing additional cash and non-cash credit limits. Parallel with these transactions, the Bank mediates currency transfers of customers in AZN, GEL and RUB by establishing

relations with correspondent banks in various currencies.

The Bank plans to gain further recognition in international banking markets and increase its share in foreign trade transactions of its customers by expanding its encrypted connection network (RMA). Taking the advantage of being an investment bank, PASHA Bank is also planning to provide funds from different markets through alternative financial products such as murabaha and sukuk.

Financial Institutions and Investor Relations Unit will continue to contribute to the growing structure of the Bank in 2020.

Investment Banking and Intermediary Services

Within the scope of intermediary services, the Bank started to work on establishing Asset Financing Fund to act as the intermediary in securitization transactions which are being supported to improve Private Sector Debt Instruments Market that had shrunk considerably in our country in recent years. Through these types of transactions, the Bank aims to take part in creating resources from capital markets through issuances of asset backed securities of companies which have qualified asset pools but do not have access to financing with favorable terms. These types of transactions are anticipated to increase rapidly in our country just like in other countries with advanced capital markets.

PASHA Bank AIMS TO PARTICIPATE IN VENTURE CAPITAL FUNDS WHICH INVEST IN TECHNOLOGY-FOCUSED SMALL COMPANIES WITH POTENTIAL IN OUR COUNTRY.

PASHA Bank
CONTINUED TO PROVIDE
FUNDS TO TURKISH
ECONOMY BY LONG-
TERM BOND ISSUANCES
IN FOREIGN CURRENCY
IN AZERBAIJANI
CAPITAL MARKETS.

source

Under the investment banking area, PASHA Bank aims to participate in venture capital funds which invest in technology-focused small companies with potential in our country. This way, the Bank is planning to support technological developments as well as gaining experience and know-how to establish similar types of funds within the Bank in the future. With these types of ventures, the Bank aims to monitor new trends and companies with successful performances more closely and become an intermediary in their growth and gaining access to the global arena through investment banking operations. Recently, banks operating as technology firms are critical in maintaining their presence. Hence, PASHA Bank stays close to technology-focused firms and aims to develop new products and services for the Bank via these companies. These types of ecosystems are being supported by all stakeholders in the society. PASHA Bank considers these transactions as useful for developing operations as well as providing contribution to the society.

PASHA Bank continued to provide funds to Turkish economy by long-term bond issuances in foreign currency in Azerbaijani capital markets in various amounts on

regular basis during the last three years. The bond issuance in Euro realized in 2019 is one its first kind in Azerbaijan. US Dollar bonds issued by PASHA Bank started to be traded on Baku Stock Exchange and used for repo transactions in Baku Stock Exchange Repo Market.

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

Within the scope of investment banking operations in 2019, the Bank provided funds by performing intermediary services in debt instrument issuances.

PASHA Bank has been issuing bonds in Turkey since October 2016 within the framework of diversifying its funding resources. Debt instrument issuances in different terms continued in 2019.

PASHA Bank
CONTINUED TO
IMPROVE ITS PROCESSES
TO PROVIDE HIGHER
QUALITY SERVICES TO ITS
CUSTOMERS.

high-quality

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

Transformation and Project Management

In line with its 2018-2020 Strategic Plan, PASHA Bank continued to improve its processes to provide higher quality services to its customers and updated its policies, guidelines and procedures in accordance with these improvements in 2019.

In credit processes, Credit Risk Scoring Model and Early Warning Systems were validated in order to sustain the effectiveness of the "decision tool" and a review project commenced. Registration to Trade Registry Sharing System was implemented to monitor Trade Registry Information.

Business processes were defined and documented within the Group and financial subsidiaries for improvement and structuring of strategic planning and monitoring processes.

To enable a common and efficient reporting structure used by all financial subsidiaries within the Group, Human Resources and Project Management's joint reporting studies were completed in addition to Risk Management and Financial Planning, Control and Strategy Units.

Business continuity processes were reviewed considering PASHA Bank's growing structure, products and services, designed in accordance with internationally accepted ISO 22301:2012 standards and relevant policies, procedures and plans were updated.

All planning related with the transfer of the Bank's Core Banking System to an upper version to provide services in compliance with all digital platforms were completed in the first 6 months. The project, with the scope defined to comply with 2018-2020 strategic plan, will be implemented in 2020 with new modules, business process management, document management and management information system features. All analysis and test activities for this project are being performed by various units at the IT Lab which is at a designated area at our Headquarters Building. All of these improvements aim perfection and digitalization of our business processes to provide higher quality services to our customers. In 2020,

NEW GENERATION SERVER AND STORAGE UNITS PROVIDE CONTRIBUTION TO PERFORMANCE AND EFFICIENCY.



our Internet Banking service will continue to serve with a wider range of products based on our customers' needs.

Project Management processes were updated based on the Group's project management methodology. In addition to legal projects, the Bank effectively participated in Group's strategic projects, core banking and peripheral system development projects, corporate culture, human resources risk management and audit projects.

In 2019, various projects have been completed as a response to legal authorities' reporting and integration requirements. These projects were; the transfer of e-lien system to Turkish Association of Notaries, Changes in Foreign Currency Credit-Feedback/Sharing Application based on changes in decision no. 32 of Protection of the Value of Turkish Currency, Automation of Export Credits without Documents, Changes and Updates on Messaging Structures of CBT Payment Systems, Changes in Formats of GIB-BTRANS Identification and End of Day Reports, BL203AS and BL204AS Reporting, Banking Transaction Records Guidance 1.6 Report, Changes in TBB Risk Center Circular and KRM Feedback and Sharing, Transmitting of Transfer Feedback Forms into Electronic Environment and Changes in Annotation Amount in Export Credits without Documentation. Single Data Project of CBT has started.

Information Technologies and Information Security

Information Technologies and Information Security Unit has been restructured as two separate units in accordance with regulations.

Our data center was re-established in line with physical security circumstances and all our infrastructure was revamped following the move of our Headquarters to the new building. With the investments in physical servers and storage units in 2019, we achieved a first as we started HP Nimble servers in active cluster (peer persistence). New generation server and storage units provide contribution to performance and efficiency by developing solutions for performance development, problem prevention and resource optimization topics with their artificial intelligence features.

Services procured for network operation management and security operations management were reviewed and the Bank started working with new support service firms with a restructured service approach starting with the second quarter of the year.

OUR BUSINESS
CONTINUITY CENTER
HAS BEEN MOVED TO A
MODERN BUILDING IN
KARTAL.

modern

Firewall and trace record monitoring applications were renewed, ordinary penetration tests were performed to minimize security and cyber threat risks and no critical findings were met during these tests. Infrastructural improvement activities continued based on the results of these tests. Internal information security trainings were provided for all employees and new recruits of the Bank.

Within the scope of COBIT audits performed in 2018 based on actions taken in 2018 and Audits of Banks' Information Systems and Banking Processes, there were no Significant Control Deficiency and Noteworthy Control Deficiency.

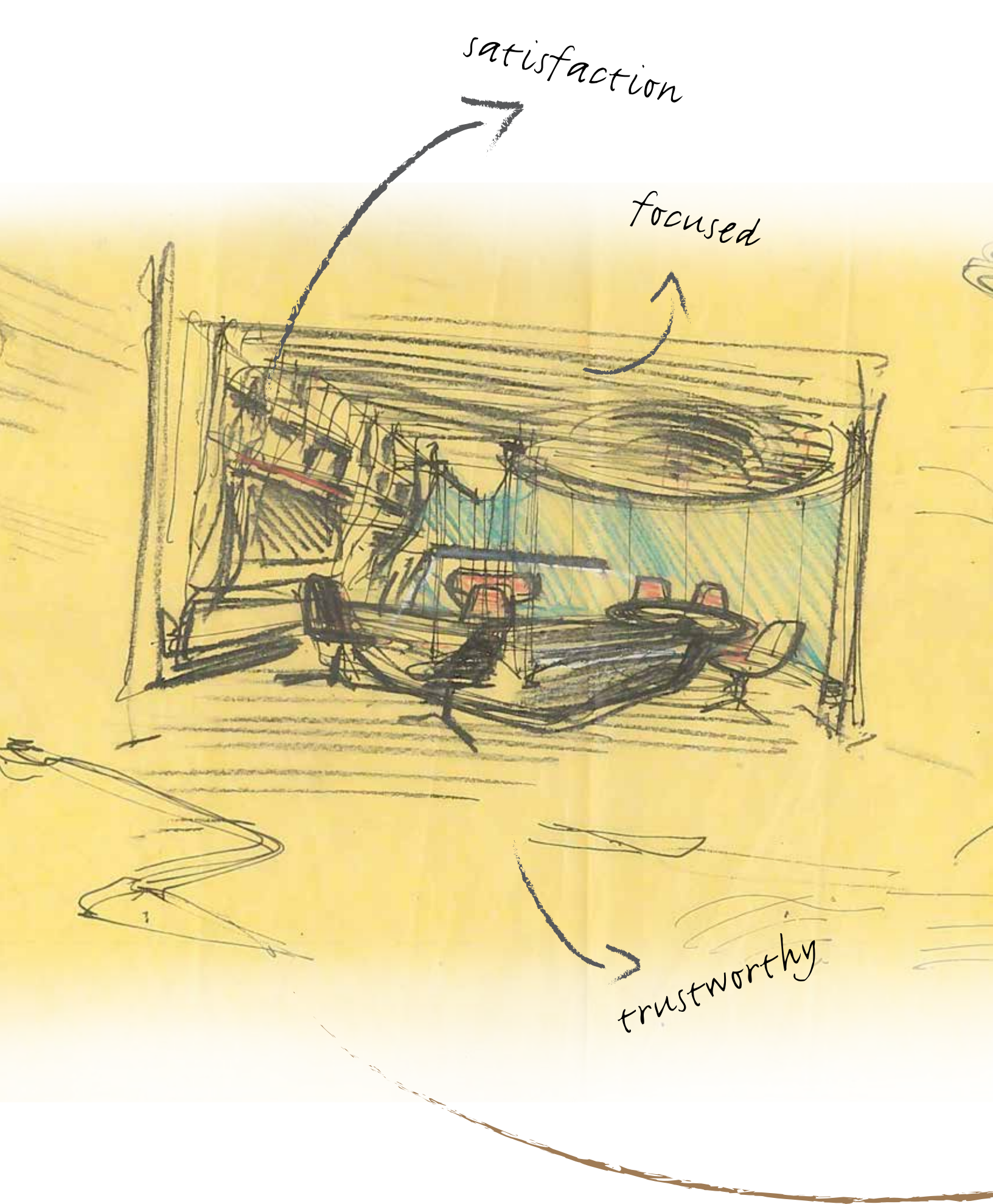
Information security policies were improved in line with current changes and threats. Information technologies management systems are being reviewed continuously.

In accordance with improvements in core banking application in information technologies infrastructure and COBIT processes compliance principles and as the result of developments in data storage and processing capacities

and performances, monitoring of the network and system infrastructure and reporting tools, changes in back up and Emergency Center systems were implemented and capacity increase was achieved. Activities to improve data communication continued in 2019 with new investments.

Our Business Continuity Center has been moved from our Headquarters to a separate location in a modern building in Kartal.

In 2020, investment and development activities in infrastructure and security will continue and planning activities will be performed to adapt to the digital world.





We are Here...

For higher customer
satisfaction with a reliable
and solution-oriented service
approach shaped on the
basis of winning with our
customers...

Information on Top Management

Board Directors



JALAL GASIMOV
Chairman

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

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

Mr. Gasimov has been the Chairman of the Board of Directors of PASHA Yatirim Bankası A.Ş. since March 31, 2017, where he joined as a Board Member effective August 17, 2015. He has 21 years of experience in banking and business administration.



FARID MAMMADOV
Deputy Chairman

Farid Mammadov earned his Bachelor's degree in Political Science at Baku Institute of Social Management and Political Sciences, and his Master's degree in Political Science at the Academy of Public Administration under the President of the Republic of Azerbaijan.

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

Mr. Mammadov has been the Deputy Chairman of the Board of Directors of PASHA Yatirim Bankası A.Ş. since March 31, 2017.

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



SHAHIN MAMMADOV
Board Member

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

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

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

Shahin Mammadov joined PASHA Yatirim Bankası A.Ş. as a Board Member effective March 31, 2015.

He has 17 years of experience in banking and business administration.



JAVID GULIYEV
Board Member

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

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

In 2003, Javid Guliyev joined Unibank first as advisor to the Board, and later, in 2004, he was appointed First Deputy Chairman of the bank. During the period between 2005 and 2012, Mr. Guliyev was First Deputy Chairman of Bank Standard.

In 2012, Mr. Guliyev was appointed Executive Finance Director at Capital Resources Advisors, Azerbaijan Branch. In 2014, he joined PASHA Holding as Chief Advisor.

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

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

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

(*) Board Member Mr. Taleh Kazimov resigned from his position on 12 June 2019. Mr. Javid Guliyev was selected to be appointed to this position by the Board of Directors and this decision was submitted to be approved by the shareholders at the first General Assembly. Mr. Javid Guliyev took the oath to commence his duties on 20 June 2019.



KAMALA NURIYEVA
Board Member

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

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

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

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

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

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



MERİÇ ULUŞAHİN
Independent Board Member

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

Meriç Uluşahin has been serving as an Independent Board Member of PASHA Yatırım Bankası A.Ş. since March 31, 2017.

She has 33 years of experience in banking and business administration.

Board Directors



EBRU OĞAN KNOTTNERUS
Independent Board Member

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

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

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

She has 29 years of experience in banking and business administration.



NURİ TUNCALI
Independent Board Member

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

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

He has 36 years of experience in banking and business administration.



H. CENK EYNEHAN
CEO and Board Member

Hikmet Cenk Eynehan earned a degree in economics from Erasmus University in the Netherlands, and a Bachelor's degree in management from Monroe College in the USA; he completed an Executive MBA program at Koç University, Istanbul.

Mr. Eynehan started his banking career in 1994, serving in various management and business development capacities at DHB Bank (Netherlands) N.V. until 2001. He continued his professional career as a managing partner in the non-financial sector during 2002-2004. In 2005, he joined Şekerbank T.A.Ş. and held executive positions in various departments until 2010. He was Deputy General Manager in charge of Corporate Marketing & Sales at Ekspo Factoring A.Ş. from 2011 until 2013.

H. Cenk Eynehan began serving as CEO and Board Member at PASHA Yatırım Bankası A.Ş. on August 2, 2013. He concurrently held the position of Board Member at PASHA Bank Georgia between September 2015 and December 2018.

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

Senior Management



AYŞE HALE YILDIRIM
Deputy CEO

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

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

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

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



UĞUR KOÇ
Deputy CEO

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

Uğur Koç, having been joined PASHA Yatırım Bankası A.Ş. on 18 September 2017, currently serves as the Deputy CEO in charge of Credits, Change and Project Management, Information Technologies and Information Security.

He has 27 years of experience in banking and business administration.



BENAN BİLGE KÖKSAL
Deputy CEO

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

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

Benan Bilge Köksal has been serving as the Deputy CEO in charge of Financial Planning, Control, Strategy and Accounting since September 23, 2019.

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

(*) Ali İhsan Tokkuzun who was serving as the Acting CEO and Deputy CEO responsible for Financial Planning, Strategy, Budget, Accounting and Legal Reporting, Operations, Credit Monitoring resigned from his position due to retirement on 30 April 2019.

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

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

NAME-SURNAME	ROLE	FIELD OF RESPONSIBILITY	TERM OF OFFICE	ACADEMIC BACKGROUND	PROFESSIONAL EXPERIENCE (YEARS)
Meltem Kiyak	Department Head	Compliance	05.05.2015- Ongoing	Undergraduate	17
Önder Devrim Erol	Department Head	Internal Audit	23.05.2016- Ongoing	Undergraduate	18
Pınar Abanoz	Department Head	Internal Control	18.12.2017- Ongoing	Undergraduate	8
Ferhat Aslan	Director	Risk Management and Internal Control	03.02.2020- Ongoing	Graduate	20

Terms of Office and Professional Experience of the Independent Auditor

At the annual General Meeting of Shareholders of the Bank held on March 29, 2019, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited) was appointed as per Banking Law No. 5411 and Turkish Commercial Code No. 6102, to serve as an Independent Audit Institution with respect to fiscal year 2019. The Independent Audit Institution titled Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member firm of Ernst&Young Global Limited) was found appropriate, and decided to be submitted to the approval of the General Assembly, for authorization to conduct independent audit on the Bank's financial statements for the fiscal period covering 01.01.2019-31.12.2019, banking processes and information systems as well as support service organizations, and to carry out other activities as required by law for a term of one (1) year, pursuant to the Board Resolution no. 04 on January 31, 2020.



Working Principles of Board Committees

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

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

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

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

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

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

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

- For the Audit Committee, supervision of the accounting system, disclosure of financial information to the public, functioning and effectiveness of the independent audit and internal systems;
- For the Risk Committee, early detection and management of internal and external risks which may jeopardize the Bank's operations, and review of risk management systems;
- For the Corporate Governance Committee, monitoring and improvement of compliance with corporate governance principles, supervision of the unit in charge of relations with shareholders and the investor relations function, evaluations on the structure and efficiency of the Board of Directors, and recommendations to the Board of Directors on these matters;
- For the HR and Remuneration Committee, recommendations on remuneration principles for Board Members and senior managers by taking into account the Bank's long-term objectives, and recommendations on establishing

benchmarks that may be used for remuneration purposes in association with the performance of the Bank and Board Members

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

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

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

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

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

Board Committees, Information on Meeting Attendance by the Members of the Board of Directors and Committees

In principle, the Board of Directors meet at the Bank's headquarters every two months, with all members present. The members of the Board of Directors attend meetings, or provide notification to the contrary. The Board resolutions are taken in accordance with the meeting and resolution quorums specified in the Articles of Association. During the year, the Board of Directors convened a total of 12 times, five times with all members physically present, and seven times via telecommunication. The Board passed 124 resolutions. Among these resolutions, 123 of them were taken unanimously and 1 by majority.

The average attendance rate of the Board Members in the meeting held throughout the year is 86%, and the details of attendance are provided in the following table:

Meeting Dates	Number of Attending Members	Type of Meeting
24 January 2019	7	Electronic Media
01 March 2019	8	Physical Attendance
05 April 2019	7	Electronic Media
26 April 2019	8	Physical Attendance
30 May 2019	8	Electronic Media
20 June 2019	9	Electronic Media
19 July 2019	9	Physical Attendance
06 September 2019	9	Physical Attendance
03 October 2019	8	Electronic Media
25 October 2019	8	Physical Attendance
28 November 2019	9	Electronic Media
20 December 2019	8	Electronic Media

Meetings Attended / Meetings Held							
Board Members	Independence Status	Board of Directors	Audit Committee	Risk Management Committee	Strategy and Budget Committee	Corporate Governance Committee	HR and Remuneration Committee
Jalal Gasimov		12/12			7/7	3/3	5/5
Farid Mammadov		11/12		9/11	7/7		5/5
Shahin Mammadov		10/12					
Taleh Kazimov (*)		2/5					
Javid Guliyev (*)		6/6					
Kamala Nuriyeva		12/12	16/16	11/11			
Meriç Uluşahin	+	11/12			7/7	3/3	
Ebru Oğan Knottnerus	+	12/12	16/16	11/11			
Adnan Aykol (**)	+	1/2					
Nuri Tuncali	+	9/10					
H. Cenk Eynehan		12/12			7/7		5/5

(*) As per the Board resolution dated June 11, Board Member Taleh Kazimov resigned and the new elected Board Member Javid Guliyev took the oath to commence his duty on 20 June.

(**) As per the General Assembly resolution dated March 29, Independent Board Member Adnan Aykol left his office and the new elected Independent Board Member Nuri Tuncali took the oath to commence his duty on 11 April.

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

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

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

Performance of Board of Directors and its committees were evaluated within the scope of the Group's 2019 corporate governance assessment by an independent consultant and Corporate Governance Compliance Rating was performed by JCR Eurasia Rating. Succession planning for top management and training activities were identified as improvement areas.

Audit Committee

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

Name-Surname	Committee Position
Ebru Oğan Kottnerus	Chairperson
Kamala Nuriyeva	Member

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

Board of Directors' Evaluation of Committee Effectiveness

The structure, duties, powers and responsibilities of the Audit Committee have been determined in accordance with the provisions of the Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks that were published in the Official Gazette No. 29057 dated July 11, 2014 and other relevant legislation, and laid out in writing by the Audit Committee Regulation. The working principles of the Audit Committee are posted on the corporate website. The Audit Committee submits to the Board of Directors the results of activities under its responsibility through Activity Reports issued every three months.

The Audit Committee presented the results of its activities in 2019 and its assessment of internal systems in quarterly activity reports.

The Audit Committee had 16 meetings with full attendance and took 26 resolutions during the year both through meetings and through file reviews. Meetings were intended to discuss and review reports prepared by Internal Control, Compliance, Internal Audit and Risk Management Units, annual reports, studies on risk evaluation reports, promotion of employees within the units covered by internal systems, internal capital assessment and stress tests, support services firms' technical adequacy, risk analysis and annual evaluation reports, annual assessment reports for rating agencies, activities and independence of independent auditors, audited

Board Committees, Information on Meeting Attendance by the Members of the Board of Directors and Committees

financial reports prepared in accordance with BRSA regulations and International Financial Reporting Standards, management statement, action plans for the outputs of penetration tests and information systems audit reports and changes in internal regulations for units within the scope of Internal Systems.

The Chairperson of the Audit Committee held regular meetings with unit managers within the internal systems to discuss matters related to internal systems.

The Audit Committee informed Board Members on the results of its activities concerning internal systems and its decisions regarding the

issues on the Board's agenda at the meetings held during the year. The reports and plans prepared by the Committee and the Internal Systems Units were presented to the Board of Directors for information and/or approval.

Meeting Dates	Number of Attending Members	Type of Meeting
23 January 2019	2	Videoconference
30 January 2019	2	Videoconference
13 February 2019	2	Videoconference
01 March 2019	2	Videoconference
11 March 2019	2	Videoconference
27 March 2019	2	Videoconference
04 April 2019	2	Videoconference
26 April 2019	2	Physical Attendance
27 May 2019	2	Physical Attendance
28 June 2019	2	Videoconference
19 July 2019	2	Physical Attendance
25 July 2019	2	Videoconference
30 September 2019	2	Videoconference
25 October 2019	2	Physical Attendance
27 November 2019	2	Videoconference
19 December 2019	2	Videoconference

Corporate Governance Committee

The Corporate Governance Committee was established to ensure the management of the Bank in a responsible, fair, transparent, and accountable manner, so as to protect the rights and interests of all stakeholders and shareholders in line with identified objectives, the Banking Law, the Capital Markets Law, and relevant regulations, as well as other laws, the Articles of Association, the Bank's internal regulations, and banking ethics; and

of monitoring the Bank's compliance with corporate governance principles; and submitting proposals required to the Board of Directors. Below is the existing structure of the committee:

Name-Surname	Committee Position
Meriç Uluşahin	Chairperson
Shahin Mammadov*	Member

* Appointed on 31 January 2020 to replace Mr. Jalal Gasimov who was on duty in 2019.

The Committee continues its activities within the framework

of the HR and Remuneration Committee Regulation. It convenes as required by business needs, and at least once a year.

Board of Directors' Evaluation of Committee Effectiveness

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

Within the scope of the Bank's evaluation of corporate governance practices, Corporate Governance Committee reviewed Investor Relations Unit, Board of Directors' and Bank's Annual Reports, Corporate Governance Principles Compliance Report, Corporate

Governance Rating Report, Information Policy, Board of Directors Regulation and Corporate Governance Committee Regulation. Relevant internal regulations were submitted to the Board of directors for their approval.

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

Date of Meeting	Number of Attending Members	Type of Meeting
01 March 2019	2	Physical Attendance
14 June 2019	2	Electronic Media
25/October 2019	2	Physical Attendance

Risk Management Committee

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

Tasked with establishing an effective risk management system, the Risk Management Committee sets out the Bank's risk management policies and strategies in accordance with the Capital Markets Legislation and the principles contained in the BRSA regulations; reviews the types of credit, market, strategic, operational, and financial risks that it is exposed to; monitors implementations of the risk management strategy; and presents important risk issues to the Board of Directors. It also evaluates, and reports to the Board of Directors, the issues identified on the topics of managing such risks in accordance with the corporate risk-taking profile of the Bank, taking them into account in the decision-making mechanisms, and establishing and integrating effective internal control

systems in this direction. The present structure of the committee is given below.

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

The Committee conducts its operations in accordance with the Risk Management Committee Regulation came into force on 23 September 2016 and updated on 1 March 2019. Meetings are held at least once in each quarter as frequent as required by the business needs.

Board of Directors' Evaluation of Committee Effectiveness

The Audit Committee presented the results of its activities in 2019 and its assessment of internal systems in quarterly activity reports.

Risk Management Committee held 11 meetings during the period to discuss and review policies and procedures for risk management processes, ICAAP activities, monthly risk management reports, 2019-2020 Risk Appetite Statement

and operational risk limits which are subject to this statement, the breaches on identified limits, provision models for IFRS 9, impairment methodology per IFRS 9, risk limits for the Bank's capital increase processes, quarterly activity reports of the Risk Management Committee, classification methodology for restructuring of credits, Group's Risk Health Index Project, the Bank's risk management policies, credit policies, business continuity management plan and crisis management plan, operational risks due to information technologies, the signature authorities, foreign currency sensitivity of customers with short foreign currency positions and projects in process.

Board Committees, Information on Meeting Attendance by the Members of the Board of Directors and Committees

Meeting Dates	Number of Attending Members	Type of Meeting
21 January 2019	3	Videoconference
01 March 2019	3	Videoconference
27 March 2019	3	Videoconference
26 April 2019	3	Physical Attendance
21 May 2019	3	Videoconference
11 June 2019	3	Videoconference
19 July 2019	3	Physical Attendance
28 August 2019	3	Telecommunication
02 October 2019	2	Telecommunication
25 October 2019	2	Videoconference
19 December 2019	3	Videoconference

Human Resources and Remuneration Committee

The HR and Remuneration Committee was established to monitor and supervise remuneration policies, processes and practices on behalf of the Board of Directors for ensuring an independent and effective remuneration system in line with the provisions of the Banking Law and the Bylaw on the Banks' Corporate Governance Principles. The present structure of the committee is given below.

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

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

Board of Directors' Evaluation of Committee Effectiveness

In 2019, the Human Resources and Remuneration Committee reviewed the Bank's remuneration policy and practices regarding remuneration systematics and, in March 2019, submitted its assessment report and recommendations on such matters to the Board of Directors.

Moreover, the Committee reviewed 2019 key performance indicators, performance scorecards of CEO and Deputy CEOs, Bank's eligibility for bonus pool and paying bonuses to employees, proposals to Board of Directors for remuneration of Board Members and Executive Managers, grading of salaries, increase rates of fixed salaries of Bank employees and fringe benefits, promotions, Bank's organization chart, key performance indicators for the issuance of financial reports and the candidate for the Independent Board Member.

The Committee convened five times during the accounting period.

Meeting Dates	Number of Attending Members	Type of Meeting
01 March 2019	3	Physical Attendance
07 March 2019	3	Physical Attendance
18 March 2019	3	Physical Attendance
18 April 2019	3	Physical Attendance
14 June 2019	3	Physical Attendance

Strategy and Budget Committee

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

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

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

Board of Directors' Evaluation of Committee Effectiveness

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

Strategy and Budget Committee held 7 meetings during the period and took decisions on agenda items for the review of Bank's 2020 budget, macroeconomic and market assumptions for the budgeting process, interim

financial performance and financial statements, year-end forecasts, 2019-2021 ICAAP Strategic Plan, Asset Financing Fund, Venture Capital Fund and Credit Guarantee Fund investments, periodic activity reports of the Committee, strategic projects and initiatives, key performance indicators and strategy calibration activities.

Meeting Dates	Number of Attending Members	Type of Meeting
01 March 2019	4	Physical Attendance
26 April 2019	4	Physical Attendance
19 July 2019	4	Physical Attendance
06 September 2019	4	Videoconference
25 October 2019	4	Physical Attendance
14 November 2019	4	Physical Attendance
28 November 2019	4	Physical Attendance

Board Committees, Information on Meeting Attendance by the Members of the Board of Directors and Committees

Credit Committee

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

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

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

Board of Directors' Evaluation of Committee Effectiveness

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

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

The Credit Committee convened 14 times and passed 29 resolutions during the accounting period.

Date of Meeting	Number of Attending Members	Type of Meeting
19 February 2019	3	Physical Attendance
12 April 2019	3	Physical Attendance
16 May 2019	3	Physical Attendance
11 June 2019	3	Physical Attendance
25 June 2019	3	Physical Attendance
19 July 2019	3	Physical Attendance
06 August 2019	3	Physical Attendance
21 August 2019	3	Physical Attendance
26 August 2019	3	Physical Attendance
20 September 2019	3	Physical Attendance
23 October 2019	3	Physical Attendance
30 October 2019	3	Physical Attendance
21 November 2019	3	Physical Attendance
11 December 2019	3	Physical Attendance



summary of the Board of Directors' Annual Report submitted to the General Assembly

Dear Shareholders,

We thank each and every one of the shareholders participating in the 2019 Annual General Meeting of Shareholders of our Bank.

Our bank completed its activities in 2019 with a 28% growth in asset size, our total assets reached TL 1,726 million, according to the audited unconsolidated financial statements for 2019, and the share of total cash loans and lease receivables constituted 63% of total assets.

PASHA Bank's total shareholders' equity as of December 31, 2019 was TL 532 million.

The increase in loans reflected positively on the results of 2019. The total cash, non-cash loans and lease receivables of the Bank reached TL 1,449 million, rising by 13% compared to the previous year as a result of the prudent risk policies that were applied. The net profit for the period was recorded at TL 25.7 million.

We have examined the Bank's financial statements for the period of January 1 to December 31, 2019, and they do not contain any misstatements materially affecting the presentation of the information, and they accurately reflect the Bank's financial position. PASHA Bank's financial statements containing the operating results for 2019 are presented for your examination and approval in the attachment.

We propose and submit to the General Assembly the approval of the audited, unconsolidated financial statements prepared as of December 31, 2019, and the release of our members of the Board of Directors individually.

Regards,

On Behalf of the Board of Directors

Jalal Gasimov
Chairman

Human Resources Practices

PASHA Bank carries all its human resources practices in line with its corporate values, honesty, quality, cooperation, responsibility and profitability.

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

The Bank moved to its new head office in 2019 which provides a more modern and better working environment to its employees. The new building is designed with open offices to support a motivating work environment that is open to communication.

PASHA Bank Recruitment Policy; The recruitment policy of PASHA Bank is based on the principle of bringing qualified human resources of high potential in line with the Bank's goals and strategies, corporate values and candidate competencies. Our recruitment process begins with a clear determination of the duties and responsibilities, qualifications and competencies required for each position. The process is completed by evaluating the candidate's suitability regarding these criteria and the corporate culture, as well as the employee's enthusiasm for the job and the institution. Competency-based interviews are conducted by human resources and unit managers,

and competency inventories are used to objectively evaluate those candidates deemed eligible for the vacant position.

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

Our training activities are a process planned when the individual begins working, and with a perspective of ensuring continual development.

Newcomers begin the training process at PASHA Bank with an onboarding program and continue carrying out training and development activities throughout their employment. PASHA Bank promotes the organization of courses that will help develop employees professionally and personally and encourage them to discover their potentials.

Training and development activities are offered in the form of courses organized both within and beyond the Bank, as well as conferences, seminars, and on-the-job trainings.

In-house rotational and promotional practices are designed to contribute to the career developments of employees, and to meet the human resources needs of the Bank in a rapid and effective manner. PASHA

Bank provided average 5.36 days of training per employee throughout 2019, and coaching services offered to managers continued, as well.

In 2019, leadership trainings were provided to strengthen leadership skills of the Bank's management team which consisted of three modules. Moreover, customized training and coaching sessions were provided based on analyses of individual needs. Group trainings were provided for other staff on technical subjects as well as trainings on strengthening team work and team communication by expert coaches. Information technology trainings were provided to related employees within the scope of investments on our technological infrastructure.

In 2017, PASHA Bank initiated Organizational Health Index assessments, a key indicator of the importance that the Group attributes on organizational development and cultural integration.

Within the scope of the Organizational Health Index activities, leadership, team work, communication and motivation focused activities were conducted and applications for improvement and transformation were implemented in PASHA Bank Turkey in 2019 with the objective of managing change and increasing performance.

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

With the purpose of increasing awareness and adoption of vision, mission, strategic targets and corporate values of projects by all employees, CEO letters were posted periodically to deliver the messages from firsthand. All employees attended breakfast meetings with the CEO.

Various activities were organized for employee motivation. Pilates sessions were performed at the office by an experienced instructor with the purpose of increasing mental and physical wellbeing and fitness of employees and supporting team spirit. Informative e-mails were shared with the employees on healthy living and breathing workshop was organized for mental fitness.

Social Activities Team consisting of volunteers from various units continued with their activities in 2019 with the purpose of increasing communication among employees outside the Bank and developing cooperation among them. Our Social Activities Team opened its doors to new team members and 8 volunteer employees joined the team

in July 2019. Activities supporting the 'We' awareness were realized with the participation of 75 % of the employees. The team started its activities in 2019 with terrarium and chocolate workshops which helped employees stay away from work stress by sharing common values outside the work. Next event was "Movie Night at PASHA" with a movie screening at the Bank's conference hall.

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

In-house rotational and promotional practices are designed to contribute to the career developments of employees, and to meet the human resources needs of the Bank in a rapid and effective manner. Accordingly, 11% of the employees were promoted to a higher title in 2019.

In promotions to senior positions, the Assessment Center Application service is obtained from a professional consulting firm in order to conduct a fair and objective evaluation.

Employees are supported by coaching sessions provided by

professional coaches based on their needs for their subsequent positions on their careers.

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

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

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

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

PASHA Bank's Remuneration Policy is supported by a fair, internal compensation strategy based on industry research. Practices in the industry related to remuneration and fringe benefits have been monitored, and necessary arrangements have been made regarding annual wage increases and other fringe benefits under existing practices.

A gross wage policy is implemented at our Bank, and our employees are provided with fringe benefits such as health and life insurance, meal cards, transportation, and mobile phones and vehicles in accordance with the requirements of their position. Employees and senior executives may receive fixed and performance-based compensation in accordance with the Bank's Remuneration Policy and Bonus Policy.

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

Total amount of financial benefits provided to the members of the Board of Directors and senior management as of 31 December 2019, including salaries, allowances and premiums was TL 5,553 thousand.

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

Compensation and other benefits provided by the Bank to senior management are disclosed to the public collectively, rather than on an individual basis, pursuant to CMB regulations on qualitative and quantitative explanations regarding remuneration policies, and provisions

of Law no. 6698 on the Protection of Personal Data.

Moreover, Executive Liability Insurance coverage of US Dollar 2 million was provided for individual responsibilities of the members of the Board of Directors for professional mistakes performing their jobs.

As of 31 December 2019, there are 56 people working at PASHA Bank, where the number of employees rose by 8% compared to the previous year.

Among the employees 98% are university graduates, 28% of who hold graduate and PhD degrees.

The median age of all employees working at the Bank is 37%. PASHA Bank staff consists of 64% female and 36% male individuals.



Profit Distribution Policy

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

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

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

to the members of the Board of Directors and/or of the senior management of the Bank, and to the personnel, at the amounts it wishes.

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

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

Since the Bank did not have a profit for its 2018 operations and it completed the financial year with a loss of TL 3,563 thousand, the decision was taken to transfer 2018

operating loss to the general reserve at the General Assembly meeting held on 29 March 2019.

Based on our financial statements for the period of 1 January 2019-31 December 2019 audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Ernst&Young Global Limited), our Bank realized a Net Profit of TL 25,694 thousand.

In accordance with its resolution dated 31 January 2020, the Board of Directors decided to submit its proposal of not distributing the profit of the period of 1 January 2019-31 December 2019 and transferring the amount available for distribution after the allocation of legal reserves to Extraordinary Reserves for the approval of General Assembly.

Transactions Made with the Bank's Risk Group

There are no derivative transactions made with the Bank's risk group. The total of borrower funds by the risk group amounted to TL 80 thousand. The funds borrowed by the Bank from its risk group amounted to TL 68,526 thousand. Of international debt securities issued by the Bank, TL 430,655 thousand is comprised of the companies within the risk group.

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

Loans (TL thousand)

Bank's Risk Group	Participations, Subsidiaries, and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Credits and Other Receivables						
Beginning of the Period	-	-	-	22,983	-	69
End of the Period	-	-	-	26,610	202,650	33,718
Interest and Commission Income Received	-	-	-	237	2,904	4

Information on Support Service Providers

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

Trade Name of Support Services Provider	Service Description	Operating Area
FİNEKSUS BİLİŞİM ÇÖZÜMLERİ TİCARET A.Ş.	Maintenance and support service for the SWIFT Alliance system that provides the connection to the SWIFT network	Information Systems
INTERTECH BİLGİ İŞLEM VE PAZARLAMA TİCARET A.Ş.	Support, update and maintenance services for the core banking system (INTER-VISION)	Information Systems
ACTIVE BİLGİSAYAR HİZMETLERİ VE TİCARET LİMİTED ŞİRKETİ	Core Banking System Security Module	Information Systems
BARİKAT BT BİLİŞİM TİC. A.Ş.	Information Security and Operations Center	Information Systems
BİLGİ BİRİKİM SİSTEMLERİ ELEK. VE BİLG. END. TİC. LTD. ŞTİ.	Information Technologies Network Operations Monitoring	Information Systems
TEPE SAVUNMA VE GÜVENLİK SİSTEMLERİ SANAYİ A.Ş.	Private physical security service for the head office	Private Security Service
VEGA BİLGİSAYAR HİZMETLERİ LTD. ŞTİ.	Maintenance and update service for the computer software "Vega Transfer Merkezi" where XML-based Revenue Administration reports are generated as per the Common Reporting Standard (CRS)	Information Systems
MARO ULUSLARARASI BİLGİ TEKNOLOJİLERİ DANIŞMANLIK, GELİŞTİRME, DESTEK HİZMETLERİ SANAYİ VE TİCARET A.Ş.	Preparation of test scenarios, running these scenarios on the system and document scanning services on the user acceptance test process of the Core Banking System.	Information Systems

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

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

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

In 2019, administrative and irregularity fines of TL 66,976 was imposed by the regulatory agencies due to legislative non-compliance. These fines were paid by taking the discount advantages offered by the regulations.

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

There are no lawsuits filed against the Bank in 2019 significant enough to have a material impact on its financial situation or operations.

Information About Regulatory Changes That May Have a Significant Impact on Bank's Operations

Changes in Protection of the Value of Turkish Currency regarding Export Amounts:

With the new Circular, when export amounts are transferred into the country within the specified periods, intermediary banks are required to issue an Export Amount Acceptance

Document to certify that these amounts were brought into the country. However, banks were allowed to use Foreign Exchange Purchasing Certificate instead of Export Amount Acceptance Document until the information system of Ministry of Treasury and Finance to monitor export amounts is ready to be used.

Export accounts which are US Dollar 30,000 short will be cancelled by the Directorate of Tax Administration or the Tax Office, regardless of the type of payment and its ratio over the return amount. Export accounts which have a shortage of greater than US Dollar 30,000 but less than US Dollar 100,000 and with a 10% ratio of shortage over the amount on the return or the form will be cancelled by the Directorate of Tax Administration or the Tax Office, regardless of the type of payment.

Import amounts, payments for capital movements, expenses related with invisible transactions and purchase prices of transit trade may not be deducted from export amounts. Additionally, in case of imports of goods and services realized within the frame of foreign trade regulations where both parties are the same entities, deduction of export and import amounts by the banks are subject to the regulations of Ministry of Treasury and Finance with the New Circular.

In line with the regulations on Export Directive, the provision was made

clear that the export amounts stated on foreign currency on the returns may be brought into the country in a different currency or amounts stated in Turkish Lira may be brought into the country in foreign currency.

Changes in Regulations on Provisions:

Based on the decision 8653 taken by Banking Regulation and Supervision Agency dated 8 November 2019;

Credits which guarantees were acquired against the amounts due to the Bank within the scope of rights to purchase or payments made in non-cash forms will be exempt from Provision 4 of the Article 6 of Regulation on Rules and Procedures on the Classification of Credits and Provisions until 31 December 2020.

As a result of positive developments in the financial sector and considering the improvements of payment capabilities of companies having credit debts, the follow-up period of one year for restructured non-performing loans to be classified as restructured receivables under the second group, which is stated in Article 7, provision 5 (b) of Regulation on Rules and Procedures on the Classification of Credits and Provisions, will be adopted as 'six months'.

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

Writing off Non-Performing Loans:

With Article 16 of the Law no. 7186 issued on the Official Gazette on 19 July 2019, Article 53 of the Banking Law No. 5411 was changed and revisions were made to allow writing off non-performing loans from their accounts for the first time.

Banks are required to record provisions sufficient enough to meet actual or possible losses for credit, to establish and enforce policies regarding the quality and classification of credits, obtaining guarantees and collaterals, measurement of their value and reliability, monitoring of non-performing loans and writing them off in accordance with Turkish Financial Reporting Standards issued by Public Oversight, Accounting and Auditing Standards Authority, payment and restructuring of loans. They are also required review them periodically and establish necessary structures to adopt these procedures. Rules and procedures to apply the provisions of this article is determined by the Agency. In accordance with this article, all specific provisions for credits are recorded as expenses deductible from that year's corporate tax basis. Credits written off since they are uncollectible after the specific provisions are recorded in

accordance with this article will be considered as bad debt within the scope of Article 322 of the Tax Procedural Code No. 213 dated 4 January 1961.

Extraordinary General Assembly Meeting held during the year, if any

An Extraordinary General Assembly meeting was not held in 2019.

Information on Audits

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

There were no private or public audits performed in 2019.

Activities within the Scope of Prohibition of Competition

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

Measures Intended to Prevent Conflicts of Interest

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

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

- Conflict of interest between the Bank and its customers;
- Conflict of interest between the Bank and its employees;
- Conflict of interest between employees and/or functions;

- Conflict of interest between customers;
- Conflict of interest between the Bank's employees and customers.

PASHA Bank announces to the public its Conflict of Interest Policy and Corporate Governance Policy by publishing the same on the corporate website.

The Audit Committee conducted a risk assessment on the support services procured by the Bank; and prepared an evaluation report on whether or not any situation has emerged in a way to prevent or pose a risk for the effective and efficient functioning of the Bank's internal systems or performance of internal control or internal audit activities in procurement of support services; as well as whether or not the qualified shareholders of, and managers

authorized to represent, the support service organizations continue to meet the criteria required by law. The committee submitted the report to the Board, and monitored the efficiency of the services performed by support service organizations regularly. No conflict of interest was found in the evaluations made by the Committee.

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

Corporate Governance Compliance Report and Information Form

Statement of Compliance with Corporate Governance Principles

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

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

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

With the awareness of the importance of corporate governance practices as well as financial performance, PASHA Bank improves its internal practices to establish an effective, adequate and consistent

corporate structure with regard to the "Bylaw on the Corporate Governance Principles for Banks" issued by the Banking Regulation and Supervision Agency ("BRSA"). On the other hand, it has been working voluntarily to ensure maximum compliance with the Corporate Governance Principles contained in the attachment to the "Corporate Governance Communiqué" no. II-17.1 that was published by the Capital Markets Board ("CMB"), and continues to strengthen corporate governance mechanisms in this endeavor.

PASHA Bank believes that the existence of independent members in the Board of Directors as part of the Corporate Governance Principles will contribute to the development and strengthening of the Bank's activities, and the establishment of a more professional management approach. Three members at the Board of Directors possess the qualities of independent Board members.

PASHA Bank's determination to implement corporate governance principles, and its willingness to manage this process dynamically and continuously, were confirmed in 2019 by an independent rating agency and JCR Eurasia Rating has assigned PASHA Bank an overall compliance score of (9.11) with CMB Corporate Governance Principles along with a (Stable) outlook.

PASHA Bank changed its internal systems organizational structure in 2019 to align it with generally accepted best practices, and structured, under the Risk Management Committee, the "Internal Control Unit" and "Compliance Unit" that have been operating under the Audit Committee.

On the other hand, actions to compensate the non-compliance areas during the period were also taken, and it was ensured

that chairpersons of all the Board Committees are elected from among the independent members through changes made in the organizational structure of the Board Committees.

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

In 2019, PASHA Bank adhered compliance to the "Corporate Governance Principles" published by the CMB with the exception of certain principles provided below that were not required to be implemented. There is no conflict of interest stemming from the matters outlined below that were not implemented.

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

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

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

With respect to the principle numbered 3.3.1.; there is no official succession plan for the key posts. However, ongoing effort has been made to develop an official succession plan for the key posts.

With respect to the principle numbered 3.3.8.; there is no union organization among the Bank's

employees and the Bank does not have an action plan for such arrangement in this regards.

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

With respect to the principle numbered 4.3.9.; There is not yet a target rate and target time determined for the ratio of female members in the Board of Directors. There were three female members on the Bank's Board of Directors in 2019.

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

With respect to the principle numbered 4.6.5.; The fees and other benefits provided to the members of the Board of Directors and executive directors are disclosed to the public through the annual report. However, the disclosure made is for the entire top management collectively, not on an individual basis.

Within the scope of the Corporate Governance Assessment Project carried out by an independent consultant in 2019, the induction, training and performance management process, and succession planning of the Board of Directors were pointed out

among the issues that could be further developed and areas where improvements could be made.

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

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

Board of Directors' Activities in 2019

Board of Directors defines the Bank's strategies, related business goals and risk limits for three-year periods based on Strategy and Budget Committee's suggestions. In 2019, the Board of Directors discussed and resolved the issues on related with the activities summarized below:

Responsibilities assigned to the Board of Directors within the frame of provisions of Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, risk management policies and methodologies, Risk Appetite Statement and related operational risk limits, new and updated policies and regulations of the Bank, independent audit reports in accordance with BRSA regulations and International Financial Reporting Standards, credit underwriting, financial restructuring and procurement requests within the authority of Board of Directors, monthly performance of the Bank, issuance conditions for debt securities to be issued in Turkey and cross-border, Corporate

Governance practices, changes in the Bank's organizational structure, top management appointments, promotion and personal benefits of Bank's employees, authority levels of employees who will be granted signature authorities or changes in those with existing authorities, selection of independent auditor, General Assembly meeting agenda and suggestions to be submitted to the General Assembly.

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

Board of Directors Structure and Status of Members at the Board

All members of our Board of Directors were selected on March 29, 2019 to serve until the General Assembly meeting where 2019 activities will be discussed.

Biographies of the Board Members can be found on pages 42 to 45 of the annual report.

Information on Aids and Donations

During the period, aids and donations at a total amount of TL 5,500 were realized. The Bank's internal procedures on donation policy is set up with its Corporate Governance Policy and no changes were made during the period.

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

Corporate Governance Compliance Report

	Company Compliance Status					Description
	Yes	Partial	No	Exempted	Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.					X	The Article 33 of the Articles of Association of the Bank contains the provision "the independent audit of the Bank is performed by independent auditors authorized to perform independent audits in the banks in accordance with the relevant legislation. The independent audit firm to conduct the audit is selected by the General Assembly", and there is no provision in the Articles of Association of the Bank regarding the request for the appointment of a special auditor. There were no requests made during the reporting period as to the appointment of a special auditor for our Bank.
1.3. GENERAL ASSEMBLY						
1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	

	Company Compliance Status					Description
	Yes	Partial	No	Exempted	Applicable	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				There is no media participation.
1.4. VOTING RIGHTS						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2-The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	The Bank has no subsidiaries and affiliates.
1.5. MINORITY RIGHTS						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Minority rights have not been determined to be less than one-twentieth of the capital in the Articles of Association of the Bank.
1.6. DIVIDEND RIGHT						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					

Corporate Governance Compliance Report and Information Form

	Company Compliance Status					Description
	Yes	Partial	No	Exempted	Applicable	
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1.-The company website includes all elements listed in Corporate Governance Principle 2.1.1.		X				Frequently Asked Questions section is not available.
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.			x			The information on real person shareholders who own more than 5% of the issued capital is not available on the corporate website.
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				Important information is prepared in English. Related information is updated as needed.
2.2. ANNUAL REPORT						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					

	Company Compliance Status					Description
	Yes	Partial	No	Exempted	Applicable	
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				Ongoing effort has been made to develop an official succession plan for the key posts.
3.3.2-Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					

Corporate Governance Compliance Report and Information Form

	Company Compliance Status					Description
	Yes	Partial	No	Exempted	Applicable	
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.			X			The Bank does not have a regulation issued on this matter.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2-Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					

	Company Compliance Status					Description
	Yes	Partial	No	Exempted	Applicable	
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.			X			The cost of liability insurance for managers does not exceed 25% of the capital of the Bank, and there was not a disclosure made on the PDP on this issue.

Corporate Governance Compliance Report and Information Form

	Company Compliance Status					Description
	Yes	Partial	No	Exempted	Applicable	
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				There has been no target rate and target time determined for the female member rate in the Board of Directors. In 2019, the Board of Directors of the Bank consisting of nine members had three female members, and a rate of 33% was attained.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4-Each member of the board has one vote.	X					
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					

	Company Compliance Status					Description
	Yes	Partial	No	Exempted	Applicable	
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				PASHA Holding LLC, the controlling shareholder of the Company, has subsidiaries and, as the Members of the Board of Directors of the Bank taking part in the management of these companies is for the benefit of the Group, they have not been restricted in taking on these duties outside the Bank. On the other hand, independent members have also not been restricted in taking on other duties outside the Bank. The duties of the Members of the Board of Directors outside the Bank are submitted to the information of the shareholders in the General Assembly through the annual report and information document.
4.5. BOARD COMMITTEES						
4.5.5-Board members serve in only one of the Board's committees.			X			Assignment to the Board of Directors' Committees are made in accordance with the relevant legislation, taking into account the knowledge and experience of the Board Members, and some of the Members of the Board of Directors are assigned to more than one committee. However, members who serve in more than one committee provide communication between committees that work on related matters and increase cooperation opportunities.

Corporate Governance Compliance Report and Information Form

	Company Compliance Status					Description
	Yes	Partial	No	Exempted	Applicable	
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.	X					
4.5.8-Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.			X			The salaries paid and other benefits provided to the senior management by the Bank are disclosed to the public on a collective basis, rather than on the basis of persons, by taking into account the regulations of the BRSA regarding the qualitative and quantitative disclosures on remuneration policies and the provisions of the Law no. 6698 on the Protection of Personal Data.

Corporate Governance Information Form

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	In 2019, the Bank participated to the following events and held 15 meetings with bond investors. <ul style="list-style-type: none"> • Participation to the Azerbaijan-Turkey Business Forum held in Baku on September 16 with the attendance of Mr. Fuad Oktay, the Vice President • Hosting Economy Talks With the Financial Institutions at the Headquarters of the Bank on October 11th
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	The request for the appointment of a special auditor has not yet been laid out as an individual right in the Bank's Articles of Association. No requests were received for the appointment of a special auditor within the period.
The number of special audit requests that were accepted at the General Shareholders' Meeting	There was no request for a special auditor at the Ordinary General Assembly Meeting held in 2019.
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	The General Assembly Information Document was posted separately on the corporate website.
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	The documents of the General Assembly Meeting are not published in English at the same time.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There are no non-unanimous transactions within the scope of the Principle 1.3.9.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	The related-party transactions realized by the Bank in 2019 as part of ordinary operations were presented to the Board of Directors by means of financial reports that were disclosed to the public. In 2019, there were no related-party transactions or significant transactions that must have been submitted to the approval of the General Assembly because of lack of approval by the independent members.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	There were no widespread and continuous related-party transactions that needed to be decided on by the Board of Directors, other than the transactions carried out by the Bank in 2019 due to its ordinary operations.
The name of the section on the corporate website that demonstrates the donation policy of the company	It is contained in the heading "Donations and Aids Policy" under the "Policies" tab in the "Corporate Governance" section within the "About Us" page on the bank's website located at the address "www.pashabank.com.tr".
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/669118
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	22

Corporate Governance Compliance Report and Information Form

Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Bank employees, Members of the Board of Directors, shareholders' representative, independent audit firm's representative, corporate governance rating agency's representative can attend the General Assembly meeting.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	None.
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	None.
The percentage of ownership of the largest shareholder	50.96
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association	None.
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	It is included in the heading "Profit Distribution Policy" under the "Policies" tab contained in the "Corporate Governance" section of the "About Us" page on the Bank's corporate website at "www.pashabank.com.tr".
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	As per the the motion submitted by the proxy of the Shareholders, PASHA Bank OJSC and PASHA Holding LLC, the losses for the year 2018 be added to the prior years' loss due to the fact that the Bank did not make any profit on its activities in the year 2018 and closed the fiscal year 2018 with a loss of TRY 3.563 Thousand TL (three million five hundred and sixty-three thousand Turkish Lira).
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/750874

General Meeting Date	The number of additional disclosure requests submitted to the company in relation to the agenda of the General Assembly	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
29.03.2019	0	99.92%	99.92%	It is contained under the "General Assembly Meetings" tab in the "Corporate Governance" section within the "About Us" page on the bank's website located at the address "www.pashabank.com.tr".	N/A	13	0	https://www.kap.org.tr/tr/Bildirim/746323

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	It is included in the "Corporate Governance" section of the "About Us" page under the "Investor Relations" page on the Bank's corporate website at the address of www.pashabank.com.tr
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	None.
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.

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ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	None.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	It is located under the heading "Human Resources Practices" in the section of "Information on Management and Corporate Governance Practices" of the Annual Report.
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	It is located in the heading "Compensation Policy" under the "Policies" tab in the "Corporate Governance" section within the "About Us" page on the bank's website at the address of "www.pashabank.com.tr".
The number of definitive convictions the company was subject to in relation to breach of employee rights	None.

The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	<p>Employees can communicate their concerns about any illegal or unethical practices made in the Bank, all issues related to the violation of ethical principles, and their findings on the following issues to the Compliance Officer via e-mail address "EtikHatGroup@pashabank.com.tr" of the Ethics Line communication channel specified within the Bank's structure.</p> <ul style="list-style-type: none"> • Fraud, • Corruption, • Forgery, • Unethical behavior, • Cases creating conflict of interest • Non-compliance with legal regulations
The contact detail of the company alert mechanism.	Those concerned can be reached via the e-mail address of "EtikHatGroup@pashabank.com.tr".
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	Employee participation in decision-making processes is ensured by the "Employee Satisfaction Survey" system.
Corporate bodies where employees are actually represented	Employees of the Bank can use any communication channel to participate in management.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The Board of Directors puts into place the necessary succession plans.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	It is located in the heading "Human Resources Policy" under the "Policies" tab contained in the "Corporate Governance" section of the "About Us" page on the Bank's corporate web site at the address of www.pashabank.com.tr .
Whether the company provides an employee stock ownership programme	There is no share purchase plan.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	It is located in the heading "Code of Conduct" under the "Policies" tab in the "Corporate Governance" section of the "About Us" page on the Bank's corporate website at the address of www.pashabank.com.tr .
The number of definitive convictions the company is subject to in relation to health and safety measures	None.

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3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	It is located in the heading "Code of Conduct" under the "Policies" tab in the "Corporate Governance" section of the "About Us" page on the Bank's corporate website at the address of www.pashabank.com.tr .
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	None.
Any measures combating any kind of corruption including embezzlement and bribery	<p>The following methods are used pursuant to the Misconduct Prevention Policy to prevent abuses before they occur and to reveal them after they occur.</p> <ul style="list-style-type: none"> • External Audit of Financial Statements and Financial Reporting • Financial Reporting Approved by Senior Management • Authority Limits • Segregation of Duties • Ethical Principles Policy • Corporate Governance • Independent Audit Committee • Whistleblowing Hotline • Misconduct Training for Staff and Managers • Misconduct Prevention Policy • Official Misconduct Risk Assessments • Internal Audit and Internal Control Practices • Unexpected Inspections • Supervision • Physical Inspections and Reconciliations • Information Security Policies • Personnel Policies • CV Reference Checks • Rotation / Mandatory Leave

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	28.11.2019
Whether the board evaluation was externally facilitated	Yes
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	There has been no delegation of authority.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	12
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	It is included under the heading "Audit Committee's Assessment of the Functioning of Internal Systems" in the section of the annual report titled "Assessments on Financial Information and Risk Management".
Name of the Chairman	Jalal Gasimov
Name of the CEO	Hikmet Cenk Eynehan
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are different persons.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	The cost of directors' & officers' liability insurance does not exceed 25% of the capital of the Bank and no separate disclosure was made in the PDP on this matter.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None.
The number and ratio of female directors within the Board of Directors	3 people, with a rate of 33%.

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

Current Positions Held Outside the Company		Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not	Independent Board Member or Not	Link to PDP Notification That Includes The Independence Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Committees Charged and Task
PASHA Holding LLC, CEO Kapital Bank OJSC, Azerbaijan, Chairman of the Supervisory Board JSC PASHA Bank, Georgia, Member of the Supervisory Board PASHA Insurance, Azerbaijan, Member of the Supervisory Board PASHA Life, Azerbaijan, Member of the Supervisory Board PASHA Investments, Azerbaijan, Member of the Supervisory Board PASHA Technology, Azerbaijan, Member of the Supervisory Board		Yes	Not Independent				Chairman of Strategy and Budget Committee Member of HR and Remuneration Committee
PASHA Holding LLC, Deputy CEO, Business Group Director Kapital Bank OJSC, Azerbaijan, Member of the Supervisory Board JSC PASHA Bank, Georgia, Chairman of the Supervisory Board PASHA Insurance, Azerbaijan, Chairman of the Supervisory Board PASHA Life, Azerbaijan, Chairman of the Supervisory Board PASHA Investments, Azerbaijan, Member of the Supervisory Board PASHA Technology, Azerbaijan, Member of the Supervisory Board		Yes	Not Independent				Member of the Strategy and Budget Committee Member of the HR and Remuneration Committee Member of the Risk Management Committee Substitute Member of the Credit Committee
PASHA Holding LLC, Deputy CEO, Business Support Director PASHA Bank OJSC, Azerbaijan, Member of the Supervisory Board JSC PASHA Bank, Georgia, Member of the Supervisory Board PASHA Insurance, Azerbaijan, Member of the Supervisory Board PASHA Life, Azerbaijan, Member of the Supervisory Board		Yes	Not Independent				Member of the Corporate Governance Committee Substitute Member of the Credit Committee
PASHA Bank OJSC, Deputy Chairman of the Executive Board and Chief Commercial Officer		Yes	Not Independent				Member of the Credit Committee
PASHA Holding LLC, Director, Group Risk Kapital Bank OJSC, Azerbaijan, Member of the Supervisory Board, Chairman of Risk Management Committee JSC PASHA Bank, Georgia, Member of Risk Management Committee PASHA Investments, Azerbaijan, Member of the Investment Committee		Yes	Not Independent				Member of the Risk Management Committee Member of the Audit Committee
KentBank d.d., Hırvatistan, Chairperson of the Supervisory Board Türkiye Finans Katılım Bankası, Member of the Supervisory Board		Yes	Independent		Not Considered	No	Member of the Strategy and Budget Committee Chairperson of the HR and Remuneration Committee Chairperson of the Corporate Governance Committee
JSC PASHA Bank, Georgia, Member of the Supervisory Board		Yes	Independent		Not Considered	No	Chairperson of the Audit Committee Chairperson of the Risk Management Committee
-		Yes	Independent		Considered	No	Member of the Credit Committee
-		Yes	Not Independent				Chairperson of the Credit Committee Member of the Strategy and Budget Committee Member of the HR and Remuneration Committee

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	In 2019, 5 meetings were held by meeting in person.
Director average attendance rate at board meetings	86%
Whether the board uses an electronic portal to support its work or not	Not used.
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Each meeting notification confirming the date, time, place and agenda is made by the Board Secretariat to all Members of the Board of Directors at least four (4) business days prior to the meeting date, and the relevant supporting documents for the agenda items to be addressed are submitted to the members of the Board of Directors at least three (3) business days prior to the date of the meeting.
The name of the section on the corporate website that demonstrates information about the board charter	It was described in the article 14 of the "Articles of Association" located in the "Corporate Governance" section within the "About Us" page on the Bank's corporate website at the address of "www.pashabank.com.tr".
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented.	It is contained in the "Information on Management and Corporate Governance Practices" section of the annual report.
Link(s) to the PDP announcement(s) with the board committee charters	None.

Composition of Board Committees-I				
Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	-	Ebru Oğan Knottnerus	Yes	Board Member
Audit Committee	-	Kamala Nuriyeva	No	Board Member
Corporate Governance Committee	-	Meriç Uluşahin	Yes	Board Member
Corporate Governance Committee	-	Shahin Mammadov	No	Board Member
Risk Management Committee	-	Ebru Oğan Knottnerus	Yes	Board Member
Risk Management Committee	-	Farid Mammadov	No	Board Member
Risk Management Committee	-	Kamala Nuriyeva	No	Board Member
HR and Remuneration Committee	-	Meriç Uluşahin	Yes	Board Member
HR and Remuneration Committee	-	Jalal Gasimov	No	Board Member
HR and Remuneration Committee	-	Farid Mammadov	No	Board Member
HR and Remuneration Committee	-	H. Cenk Eynehan	No	Board Member
Strategy and Budget Committee	-	Jalal Gasimov	Yes	Board Member
Strategy and Budget Committee	-	Farid Mammadov	No	Board Member

Strategy and Budget Committee	-	Meriç Uluşahin	No	Board Member
Strategy and Budget Committee	-	H. Cenk Eynehan	No	Board Member
Credit Committee	-	H. Cenk Eynehan	Yes	Board Member
Credit Committee	-	Nuri Tuncalı	No	Board Member
Credit Committee	-	Javid Guliyev	No	Board Member
Credit Committee	-	Farid Mammadov	No	Board Member
Credit Committee	-	Shahin Mammadov	No	Board Member

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

Composition of Board Committees-II					
Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name Of Committee Defined As "Other" In The First Column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person
Audit Committee	-	-	100%	50%	4
Corporate Governance Committee	-	-	100%	50%	3
Risk Management Committee	-	-	100%	33%	3
HR and Remuneration Committee	-	-	100%	25%	5
Strategy and Budget Committee	-	-	75%	25%	6
Other	Credit Committee	-	66%	33%	14

Statement of Independence

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

1. Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity;
2. I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards

of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years;

3. I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
4. After having been elected as a member I am not a full-time employee of public institutions and organizations, except as a member of academia should applicable legislation permit;
5. I am considered to be a resident of Turkey as for the purposes of the Income Tax Law no. 193, dated December 31, 1960;
6. I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts

of interest between the Bank and its shareholders, and making decisions freely taking into consideration the rights of stakeholders;

7. I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake;
8. I have not held the position of member of the Board of Directors of the Company for more than six years in the past ten years;
9. I am not serving as an independent board member in any company which is controlled by the Bank or by shareholders having management control over the Bank;
10. I will be serving on the Bank's Board of Directors as a real person and in this context; I have not been registered and promulgated in the name of any corporate entity elected as a board member



Meriç ULUŞAHİN

Statement of Independence

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

1. Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity;
2. I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/

to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years;

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shareholders, and making decisions freely taking into consideration the rights of stakeholders;

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Ebru Oğan KNOTTNERUS

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to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years;

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4. After having been elected as a member I am not a full-time employee of public institutions and organizations, except as a member of academia should applicable legislation permit;
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6. I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank and its

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Nuri TUNCALI

Corporate Governance Compliance Reporting Responsibility Statement

As per the decision 2/49 of Capital Markets Board (CMB) dated 10 January 2019, we have reviewed the Corporate Governance Compliance Report and Corporate Governance Information Form for the period 1 January 2019-31 December 2019 and we declare that these reports were prepared in accordance with the rules and principles stated in CMB's Communiqué on Corporate Governance numbered II-17.1.



Ebru Oğan KNOTTNERUS
Chairperson of Audit Committee



Kamala NURIYEVA
Member of Audit Committee

Annual Report Responsibility Statement

PASHA YATIRIM BANKASI A.Ş. STATEMENT FOR THE 2019 ANNUAL REPORT

Annual report of PASHA Yatırım Bankası A.Ş. for the year 2019 was prepared in accordance with the rules and procedures specified within the frame of "Regulation on Principles and Procedures for Preparation and Publication of Annual Reports by the Banks" published in the Official Gazette numbered 26333, dated November 1, 2006 and presented hereafter.



Jalal GASIMOV
Chairman of Board of Directors



Ebru Oğan Knottnerus
Chairperson of Audit Committee



Kamala NURIYEVA
Member of Audit Committee



H. Cenk EYNEHAN
CEO and Board Member



Benan Bilge KÖKSAL
Deputy CEO



Yeşim ÇAĞLAR
Financial Planning, Control and
Strategy Department Manager

Annual Report Compliance Opinion

(Convenience translation of a report originally issued in Turkish)

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

To the General Assembly of Pasha Yatırım Bankası Anonim Şirketi

1) Opinion

We have audited the annual report of Pasha Yatırım Bankası Anonim Şirketi ("the Bank") for the period of January 1 – December 31, 2019.

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

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Bank in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have expressed an unqualified opinion in our auditor's report dated January 31, 2020 on the full set unconsolidated financial statements of the Bank for the period of January 1 – December 31, 2019.

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

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the management of the Bank is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Bank for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to unconsolidated financial statements. The development of the Bank and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Bank,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

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

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

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Bank's audited unconsolidated financial statements and to prepare a report including our opinion.

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

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

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



Emre Çelik, SMMM
Associate Partner

February 28, 2020
Istanbul, Turkey

Assessments of the Audit Committee on the Activities of Internal Systems

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

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

Internal Audit Department

Internal audit plan for the previous year was reviewed taking into consideration all changes in the Bank's operations and regulations, 2019 plan was prepared based on risk assessments and results of risk matrices and submitted to the Board of Directors upon the approval of the Audit Committee.

Audit activities in 2019 were realized for the operational areas specified in the audit plan which covers the effectiveness of the Bank's internal control and risk management systems.

During the year, the main activities of such internal systems departments were audited in accordance with

these plans and were reported accordingly. The findings and report requests made during the Audit Committee meetings were forwarded to the relevant departments of the Bank through the Bank's internal systems departments.

Risk analysis studies for support service institutions were created in line with the views of the internal systems departments, and the periodic evaluation reports and audit reports issued on the relevant organizations were submitted to the Board of Directors.

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

The Internal Audit Department operates as a whole in the form of an inherent supervision and audit function with respect to the banking and information systems processes and risk management, internal control and compliance practices, and examines and audits units periodically on the basis of risk.

It also assumes an objective and independent consulting function in terms of the management of all applications and processes of the bank in parallel with best practices. It provides Senior Management with assurance that the Bank's operations are conducted in accordance with laws and other relevant legislation, as well as on such matters as the effectiveness and adequacy of the internal control and risk management systems. It provides opinions and proposals for effective and efficient use of bank resources.

Internal Audit Unit performed all audits in accordance with the prescribed audit plan for 2019 and submitted 10 audit reports to the Board of Directors via the Audit Committee.

Internal Control Department

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

Internal Control Department ensured the Bank's operations in 2019 were conducted effectively and efficiently in compliance with laws and other regulations in a healthy and effective internal control environment.

Within the scope of the internal control model designed in accordance with three lines of defense principles, first level of controls were defined by business units considering their risks. Internal Control Department identified

second level controls for all functions within a specified scope and sample. Control activities regularly performed by different departments for operations of Head Office business units were closely monitored and inspections were made to observe they are being performed timely, completely and accurately.

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

Control activities designed for this purpose were conducted by internal control personnel competent and experienced in their areas. Local and international developments in internal control area were followed up and the Bank's internal control applications were updated.

In 2019, all operational activities of the Bank were reviewed on a changing frequency and on a need basis for control points and control results were reported to the Risk Committee and senior management. In addition, management statement tests and ICAAP Report validations were performed.

Compliance Department

In accordance with Law 5549, 6415 and related legislation, Compliance Department conducted the following compliance activities in 2019:

Improvement of monitoring and control activities established for the Bank's operations,

- Providing full compliance of the Bank's operations with MASAK and other related legislation,

- Investigation and review of possible doubtful transactions and reporting of these transactions to MASAK,
- Within the scope of compliance with ethical principles; management of our Bank's internal communication system, management of MIDES to monitor the precautions taken to prevent conflicts of interest and to protect customer interest and management of customer complaints solution process,
- Coordination of support service purchases in accordance with BRSA regulations,
- Organization of mandatory trainings for prevention of laundering of proceeds of crime and combating the financing of terrorism and developing compliance culture,
- Embargo controls within the scope of financial security, monitoring and control activities within the scope of prevention of laundering of proceeds of crime,
- Development of compliance models for new products and services and providing opinion before implementation,
- Ensuring compliance of internal regulations, guidelines and procedures with MASAK and other related legislation,
- Performing necessary controls before and after the acceptance of new customers and new correspondent bank engagements,

- Monitoring and control of suppliers.

Moreover, best practices and local legislation were monitored for FATCA and CRS (Common Reporting Standards), adjustments were made within the Bank and mandatory reports were prepared.

Risk Management Department

The Risk Management Department continued to monitor at regular intervals credit risk concentrations, quality of assets, the risk in the financial asset portfolio, and the operational risks that were exposed to in accordance with the internal policies and rules and risk limits approved by the Board of Directors. The Risk Management Department carried out the following activities in 2019:

Risk maps regarding the risks the Bank is exposed to, key risk indicators, risk reducing actions were monitored within the frame of Operational Risks. Using the key indicator approach, operational risk measurement and operational risk capital adequacy were calculated. Improvement areas for operational risks were identified and assessed with relevant teams within the Bank.

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

Assessments of the Audit Committee on the Activities of Internal Systems

and Risk Management Committee and risk reduction techniques were implemented based on senior management views when necessary.

Within the frame of Structural Interest Rate and Liquidity Risk; structural interest rate risk that the Bank may be exposed to due to maturity mismatch in the balance sheet was reviewed with maturity gap analyses. Stress tests performed were reported to ALCO and the Risk Management Committee. The Bank's liquidity status is monitored both in terms of TL-FC differentiation and in terms of overall liquidity. Liquidity adequacy is tested under various stress assumptions and results are reported regularly to related committees and senior management.

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

In addition to those;

Stress tests and scenario analyses which are intended to assess and measure all risks that the Bank may be exposed to and which enables the determination of necessary capital amount were performed and shared with the Board of Directors within the scope of Internal Capital Adequacy Assessment Process (ICAAP).

Compliance with the Bank Risk Appetite Statement limit was monitored throughout the year. Risks that the Bank may be exposed to and appetite for these risks were identified and Risk Appetite Statement was updated.

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

Studies on new rating systems started with the purpose of assessing customers with more objective criteria, increasing risk measurement capability, developing more successful statistical models for quantification of risk based on continuous improvements to currently used rating systems and emerging needs, considering financial and qualitative data, behavioral data, group approach and warning signals.

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

In this context, Internal Control and Risk Management Departments which constitute the second line of defense will continue its activities such as updating the infrastructure, performing second level controls, monitoring and reporting of results, fulfilling regulatory requirements and demands, improvement of the Bank's internal control and risk management environment in 2020. Compliance Department will also continue its monitoring and control activities in accordance with the legislation.

Similarly, Internal Audit Department will continue its activities to fulfill its auditing responsibilities for effectiveness, adequacy and compliance of internal control and risk management environment in the Bank, with the same scope and attention in 2020.

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

PASHA Bank conducts its banking operations in accordance with a three-year corporate strategic plan covering 2018-2020 period which is developed to diversify its business lines in line with PASHA Group's sustainable business model and which is built on market analysis, competitive environment, strategic ventures and financial model. PASHA Bank Turkey aims to reach its goals by achieving a strong balance sheet growth, increasing return on equity, becoming a competency and relationship oriented private bank having a niche.

PASHA Bank's total assets grew by 28% year-over-year to reach TL 1,726 million, due to the growth in corporate loans. In the same period, the Bank's liabilities increased to TL 1,194 million, and total shareholders' equity rose to TL 532 million. Having attained a gross operating profit of TL 104 million according to the unconsolidated financials at the end of 2019, the Bank closed 2019 with a net period profit of TL 25.7 million.

The total amount of cash loans and lease receivables (gross) rose by 28% year-over-year at the end of 2019, increasing from TL 855 million to TL 1,093 million, corresponding to 63% in the total assets. TL-denominated loans constitute 33% of the cash loans. Non-cash loans amounted to TL 356 million and the total credit risk exposure rose to TL 1,449 million with a 13% increase.

Cash, banks and liquid marketable securities consist of 24% of total assets and 36% of the Bank's securities portfolio comprises of government bonds and treasury bills.

The Bank's non-performing loans were realized as TL 35,454 thousand and its ratio over total credits was 3.2%.

The primary funding source of the Bank is the shareholders' equity with a 31% share, followed by "Funds Borrowed" with a 28% share and "Securities Issued" with a 28% share.

Among debt securities issued, Eurobond issuances in Azerbaijan constitute 98% of total issuances in circulation as of the balance sheet date. On the funding side, while resources were diversified, average maturity was realized as 414 days in 2019.

Among debt securities issued and in circulation, TL 7,815 was issued in Turkey. Commercial papers of US Dollar 75 million and Euro 3.2 million were issued in Azerbaijan as Eurobonds.

Funding from the risk group constitutes 42% of total funding. Normal customer relations and market conditions are considered for relations with the risk group.

The Bank reported TL 25.7 million profit as of year-end 2019. Interest income increased by 13% reaching TL 141 million, in parallel with the growth in total assets and loans. Net interest income grew by 22% to reach TL 97 million. Net commission income increased to TL 4.0 million up from TL 3.2 million. As a result of these developments, operating income grew by 25% year-over-year, amounting to TL 104 million.

Total operating expenses reached TL 31.6 million in parallel with increased operations of the Bank.

PASHA Bank's fixed asset investments were TL 23,430 thousand as of 31 December 2019 and it has received no government incentives.

Information on investments of the Bank in 2019 was disclosed in the Independent Audit Report Section 5/ I. Notes and disclosures to asset account in balance sheet.

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

PASHA Bank exceeded its target by %5 in total assets set for the year 2019 budget objectives. Among the key financial indicators, cost/income ratio was 30.5%, capital adequacy ratio was 32% and leverage ratio was 26.5%.

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

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

The Bank's paid-in-capital amounting to TL 500 million was assessed for possibility of loss of capital within the scope of Article 376 of the Turkish Commercial Code. With a 2.2 debt to equity ratio, it was determined that there were no obstacles in front of PASHA Bank to continue its operations in a healthy manner thanks to its strong position in terms of equity and debt structure and assets are at a sufficient level to meet liabilities.

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

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

A. First structural pillar risks

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

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



Risk Management Policies

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

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

Risk awareness and management is an important component of the bank culture and utmost attention is paid to compliance with domestic

legislation and in the implementation of internationally accepted standards. The establishment and maintenance of an effective risk management system is among the priorities of the top management at PASHA Yatırım Bankası A.Ş.

The Bank's risk appetite strategy is determined by overseeing equity and liquidity capacity, by considering potential risks to be assumed in financial markets, position boundaries limiting these risks and control points of risks to be taken.

The managers and the staff at all levels of the bank have been tasked with assessing the risks that are faced, knowing the techniques for managing possible risks that may be encountered in the areas within their job descriptions, as well as providing the necessary support for the control and audit procedures implemented by other units within the internal systems. Accordingly, first level controls were put in place that need to be performed by each operational area, in addition to second and third level controls monitored by the Bank's internal systems department.

Policies and procedures for measurement, analysis, monitoring, reporting and control of the identified risks are being defined by the Risk Management Department

and the relevant departments of the Bank. These policies and procedures are adopted upon the review of the Risk Management Committee and approval of the Board of Directors.

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

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

Information on Ratings Assigned by Rating Agencies

The international credit rating agency Fitch Ratings affirmed PASHA Bank's rating in its press release dated December 20, 2019 as follows.

National Long-Term Rating: BBB+ (tur) (Outlook: Stable)

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

On its corporate governance rating report dated June 21, 2019, JCR Eurasia Rating has assigned PASHA Bank an overall compliance score of (9.11) with CMB Corporate Governance Principles along with a (Stable) outlook. According to JCR Eurasia Rating's methodological infrastructure and notation representation, the level of overall convergence of the Bank with the CMB Corporate Governance Principles corresponds to the [AAA (Trk) / Distinctive] category and its notch degree to the level of [aa / Superior].

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

Main Fields	Weight	Numerical Value	Convergence Level	Rating	Outlook
Shareholders	25%	90.70	[AAA (Trk) / Distinctive Compliance]	[aa / (Superior)]	Stable
Public Disclosure and Transparency	25%	91.90	[AAA (Trk) / Distinctive Compliance]	[aa / (Superior)]	Stable
Stakeholders	15%	92.13	[AAA (Trk) / Distinctive Compliance]	[aa / (Superior)]	Stable
Board of Directors	35%	90.48	[AAA (Trk) / Distinctive Compliance]	[aa / (Superior)]	Stable
Total	100%	91.13	[AAA (Trk) / Distinctive Compliance]	[aa / (Superior)]	Stable

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

Five-Year Summary of Unconsolidated Financial Highlights

TL THOUSAND	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Total Assets	1,725,503	1,349,565	896,845	510,357	322,405
Loan and Leasing Receivables, net	1,045,060	840,278	713,048	403,870	245,744
Securities	96,799	71,795	26,251	20,538	9,619
Total Equity	531,610	505,657	260,607	244,658	230,552
Net Profit/Loss	25,691	(3,563)	16,008	14,005	8,787



PASHA Yatırım Bankası A.Ş.

Publicly Announced Unconsolidated

Financial Statements Together with Audit Report at 31 December 2019

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

Independent Auditor's Report

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

Report on the Unconsolidated Financial Statements

Opinion

We have audited the accompanying unconsolidated financial statements of Pasha Yatırım Bankası A.Ş. (the Bank"), which comprise the statement of unconsolidated statement of financial position as at 31 December 2019, unconsolidated statement of profit and loss and unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of Pasha Yatırım Bankası A.Ş. as at December 31, 2019 and financial performance and unconsolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

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

Key Audit Matters

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



Key Audit Matter	How the matter is addressed in our audit
Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures	
<p>We considered expected credit loss calculations of financial assets outlined in TFRS 9 as a key audit matter due to the transition to TFRS 9 as a key audit matter due to:</p> <ul style="list-style-type: none">- Balance sheet and off balance sheet items that are subject to expected credit loss calculation is material for the financial statements- Complex accounting requirements of TFRS 9- The model that is established by the Group management to calculate the expected credit losses has the compliance risk whether it is established based on the requirements of TFRS 9 and other practices- TFRS 9, have complex and intensive control environment- The new, significant and complex judgments and estimations needed for the calculation of expected credit losses and- The complex disclosure requirements of TFRS.	<p>Our audit procedures include among others include:</p> <ul style="list-style-type: none">- Evaluating the appropriateness of management's selection of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice.- Identifying and testing relevant controls by involving Process audit specialists.- Evaluating the reasonableness of management's key judgements and estimates made in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of management's selection of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice- Involving financial risk management specialists to challenge significant assumptions/judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates and significant estimates and judgements.- Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss.- Evaluating the appropriateness and testing the mathematical accuracy of Expected credit loss models applied.- Evaluating the reasonableness of and tested the post-model adjustments.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 - December 31, 2019 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Additional paragraph for convenience translation to English

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

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



January 31, 2020
Istanbul, Turkey

The Year-End Unconsolidated Financial Report of Pasha Yatirim Bankasi A.ş. as of 31 December 2019

Address of the Bank's Headquarters	Eski Büyükdere Caddesi Hümeysra Sokak No:2 PASHA Plaza, Kat:5 34415 Kağıthane, İstanbul
Telephone of the Bank	(0 212) 705 89 00
Fax of the Bank	(0 212) 345 07 12
Web site of the Bank	www.pashabank.com.tr
E-mail for correspondence	info@pashabank.com.tr

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

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

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



Jalal GASIMOV
Chairperson of
Board of Directors



Ebru Oğan KNOTTNERUS
Chairperson of
Audit Committee



Kamala NURIYEVA
Member of
Audit Committee



H. Cenk EYNEHAN
CEO



Benan Bilge KÖKSAL
Deputy CEO



Yeşim ÇAĞLAR
Financial Planning, Control and
Strategy Department Manager

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

Name-Surname/Title : Yeşim ÇAĞLAR/Manager
Telephone Number : (0212) 705 89 08
Fax Number : (0212) 345 07 12

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Notes to Unconsolidated Financial Statements at 31 December 2019

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

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

SECTION ONE

GENERAL INFORMATION

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

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

PASHA Yatırım Bankası A.Ş. ("Bank", "PASHA Bank") has been permitted by the decree no. 87/11898 dated 17 June 1987 by the Council of Ministers pursuant to the Banking Law No. 3182 and the Bank has been established under the title of Yatırım Bank A.Ş. headquartered in Istanbul under the Foreign Investment Promotion Law. The establishment of the Bank was permitted by the Ministry of Industry and Trade on the date of 21 December 1987, the Articles of Association of the Bank was approved by the decision no. 1987/5087 dated 25 December 1987 of the 1st Commercial Court of Istanbul, and it was registered with the Istanbul Trade Registry Office under the no. 240320 on the date of 25.12.1987 and published in the Turkish Trade Registry Gazette no. 1924 and dated 30 December 1987. Commencing its investment banking activities on the date of 1 March 1988, the Bank has been operating as of 31 December 2019 through its head office in Istanbul only and has no branches.

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

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

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

Notes to Unconsolidated Financial Statements at 31 December 2019

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

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

GENERAL INFORMATION (continued)

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

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

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

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

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

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

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

Notes to Unconsolidated Financial Statements at 31 December 2019

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

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

GENERAL INFORMATION (continued)

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

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

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

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

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

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

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

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

Notes to Unconsolidated Financial Statements at 31 December 2019

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

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

GENERAL INFORMATION (continued)

IV. Explanation on shareholders having control shares

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

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

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

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

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

None.

Unconsolidated Statement of Financial Position at 31 December 2019

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

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

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

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

Unconsolidated Statement of Financial Position at 31 December 2019

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

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

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

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

Unconsolidated Off-Balance Sheet

As at 31 December 2019

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

II. OFF-BALANCE SHEET

	OFF BALANCE SHEET COMMITMENTS	Note	Current Period 31/12/2019			Prior Period 31/12/2018		
			LC	FC	Total	LC	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		213,337	166,662	379,999	303,285	218,096	521,381
I.	GUARANTEES AND WARRANTIES	(5.3.1)	201,464	154,925	356,389	254,023	168,630	422,653
1.1.	Letters of Guarantee		201,464	130,567	332,031	254,023	116,938	370,961
1.1.1.	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		-	-	-	-	10,562	10,562
1.1.3.	Other Letters of Guarantee		201,464	130,567	332,031	254,023	106,376	360,399
1.2.	Bank Acceptances		-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		-	598	598	-	-	-
1.3.1.	Documentary Letters of Credit		-	-	-	-	-	-
1.3.2.	Other Letters of Credit		-	598	598	-	-	-
1.4.	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7.	Factoring Guarantees		-	-	-	-	-	-
1.8.	Other Guarantees		-	23,760	23,760	-	51,692	51,692
1.9.	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(5.3.1)	17	-	17	82	-	82
2.1.	Irrevocable Commitments		17	-	17	82	-	82
2.1.1.	Asset Purchase and Sales Commitments		-	-	-	-	-	-
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4.	Commitments for Loan Limits		-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheques		-	-	-	-	-	-
2.1.8.	Tax and Fund Liabilities from Export Commitments		17	-	17	17	-	17
2.1.9.	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10.	Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments		-	-	-	65	-	65
2.2.	Revocable Commitments		-	-	-	-	-	-
2.2.1.	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2)	11,856	11,737	23,593	49,180	49,466	98,646
3.1.	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1.	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2.	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3.	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2.	Trading Derivative Financial Instruments		11,856	11,737	23,593	49,180	49,466	98,646
3.2.1.	Forward Foreign Currency Buy/Sell Transactions		11,856	11,737	23,593	49,180	49,466	98,646

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

Unconsolidated Off-Balance Sheet

As at 31 December 2019

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

		Note	Current Period 31/12/2019			Prior Period 31/12/2018		
			LC	FC	Total	LC	FC	Total
	OFF BALANCE SHEET COMMITMENTS							
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	11,737	11,737	1,734	47,882	49,616
3.2.1.2	Forward Foreign Currency Transactions-Sell		11,856	-	11,856	47,446	1,584	49,030
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1	Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2	Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		843,459	1,263,974	2,107,433	816,031	547,883	1,363,914
IV.	ITEMS HELD IN CUSTODY		7,288	-	7,288	10,803	-	10,803
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		-	-	-	4,240	-	4,240
4.3	Cheques Received for Collection		6,152	-	6,152	6,556	-	6,556
4.4	Commercial Notes Received for Collection		1,136	-	1,136	7	-	7
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		824,265	1,144,866	1,969,131	805,193	495,885	1,301,078
5.1	Marketable Securities		57,278	89,100	146,378	32,652	79,215	111,867
5.2	Guarantee Notes		175,064	68,546	243,610	188,759	70,898	259,657
5.3	Commodity		63,552	-	63,552	61,127	-	61,127
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		332,242	-	332,242	322,242	-	322,242
5.6	Other Pledged Items		196,129	987,220	1,183,349	200,413	345,772	546,185
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		11,906	119,108	131,014	35	51,998	52,033
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1,056,796	1,430,636	2,487,432	1,119,316	765,979	1,885,295

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

Unconsolidated Income Statement

For the Year Ended 31 December 2019

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

III. STATEMENT OF PROFIT OR LOSS

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

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

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

Unconsolidated Income and Expense Items Accounted in Equity For the Year Ended 31 December 2019

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Current Period 31/12/2019	Prior Period 31/12/2018
I.	PROFIT (LOSS)	25,691	(3,563)
II.	OTHER COMPREHENSIVE INCOME	262	7
2.1	Other comprehensive income that will not be reclassified to profit or loss	-	-
2.1.1	Gains (Losses) on Revaluation of Property, Plant and Equipment	-	-
2.1.2	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3	Gains (losses) on remeasurements of defined benefit plans	-	-
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	-	-
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	-	-
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	262	7
2.2.1	Exchange Differences on Translation	-	-
2.2.2	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	335	8
2.2.3	Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(73)	(1)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	25,953	(3,556)

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

Notes to Unconsolidated Statement of Changes in Shareholders' Equity For the Year Ended 31 December 2019

(Numbers are expressed in Turkish Lira (TL) unless otherwise stated.)

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves
Prior Period 01/01/2018 - 31/12/2018					
I. Balance at the beginning of the period		255,000	-	-	-
II. Adjustment in accordance with TMS 8		-	-	-	-
2.1 Effect of adjustment		-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-
III. New balance (I+II)		255,000	-	-	-
IV. Total comprehensive income (loss)		-	-	-	-
V. Capital increase in cash		245,000	-	-	-
VI. Capital increase through internal reserves		-	-	-	-
VII. Issued capital inflation adjustment difference		-	-	-	-
VIII. Convertible bonds		-	-	-	-
IX. Subordinated debt		-	-	-	-
X. Increase (decrease) through other changes, equity		-	-	-	-
XI. Profit distribution		-	-	-	-
11.1 Dividends distributed		-	-	-	-
11.2 Transfers to legal reserves		-	-	-	-
11.3 Other		-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		500,000	-	-	-
Current Period 01/01/2019 - 31/12/2019					
I. Balance at the beginning of the period		500,000	-	-	-
II. Adjustment in accordance with TMS 8		-	-	-	-
2.1 Effect of adjustment		-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-
III. New balance (I+II)		500,000	-	-	-
IV. Total comprehensive income (loss)		-	-	-	-
V. Capital increase in cash		-	-	-	-
VI. Capital increase through internal reserves		-	-	-	-
VII. Issued capital inflation adjustment difference		-	-	-	-
VIII. Convertible bonds		-	-	-	-
IX. Subordinated debt		-	-	-	-
X. Increase (decrease) through other changes, equity		-	-	-	-
XI. Profit distribution		-	-	-	-
11.1 Dividends distributed		-	-	-	-
11.2 Transfers to legal reserves		-	-	-	-
11.3 Other		-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		500,000	-	-	-

1) Accumulated revaluation increase/decrease of fixed assets

2) Accumulated remeasurement gain/loss of defined benefit pension plan

3) Other (Shares of investments valued by equity method in other comprehensive income not classified through profit or loss and other accumulated amounts of other comprehensive income items not reclassified through other profit or loss)

4) Foreign currency translation reserve

5) Accumulated revaluation and/or remeasurement gain/loss of the financial assets at fair value through other comprehensive income

6) Other (Cash flow hedge gain/loss, shares of investments valued by equity method in other comprehensive income classified through profit or loss and other accumulated amounts of other comprehensive income items reclassified through other profit or loss)

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

	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss			Profit Reserves	Prior Period Profit or (Loss))	Current Period Profit or (Loss)	Total Shareholders' Equity
	1	2	3	4	5	6				
	-	-	-	-	(48)	-	324	(10,677)	16,008	260,607
	-	-	-	-	-	-	-	3,606	-	3,606
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	3,606	-	3,606
	-	-	-	-	(48)	-	324	(7,071)	16,008	264,213
	-	-	-	-	7	-	-	-	(3,563)	(3,563)
	-	-	-	-	-	-	-	-	-	245,000
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	5,331	10,677	(16,008)	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	5,331	10,677	(16,008)	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(41)	-	5,655	3,606	(3,563)	505,657
	-	-	-	-	(41)	-	5,655	3,606	(3,563)	505,657
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(41)	-	5,655	3,606	(3,563)	505,657
	-	-	-	-	262	-	-	-	25,691	25,953
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	(3,563)	3,563	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	(3,563)	3,563	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	221	-	5,655	43	25,691	531,610

Notes to Unconsolidated Statements of Cash Flow For the Year Ended 31 December 2019

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

VI. STATEMENT OF CASH FLOW

	Note	Current Period 31/12/2019	Prior Period 31/12/2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		66,860	(84,527)
1.1.1 Interest Received		147,431	109,406
1.1.2 Interest Paid		(43,315)	(38,730)
1.1.3 Dividend Received		-	-
1.1.4 Fees and Commissions Received		3,827	4,324
1.1.5 Other Income		847	(117,114)
1.1.6 Collections from Previously Written-off Loans and Other Receivables		694	-
1.1.7 Payments to Personnel and Service Suppliers		(15,680)	(13,262)
1.1.8 Taxes Paid		(14,154)	(13,623)
1.1.9 Other	(5.6.2)	(12,790)	(15,528)
1.2 Changes in Operating Assets and Liabilities		(55,899)	(12,121)
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		2,787	181
1.2.2 Net increase (decrease) in due from banks		(35,674)	(8,863)
1.2.3 Net increase (decrease) in loans		(168,055)	(145,923)
1.2.4 Net increase (decrease) in other assets	(5.6.2)	(626)	23,635
1.2.5 Net increase (decrease) in bank deposits		-	-
1.2.6 Net increase (decrease) in other deposits		-	-
1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss		-	-
1.2.8 Net Increase/(Decrease) in Funds Borrowed		143,900	185,209
1.2.9 Net Increase/(Decrease) in matured Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(5.6.2)	1,769	(66,360)
I. Net Cash Provided from Banking Operations		10,961	(96,648)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from/(Paid For) Investing Activities		(40,877)	(310,910)
2.1 Cash paid for the purchase of associates, subsidiaries and joint ventures		-	-
2.2 Cash obtained from the sale of associates, subsidiaries and joint ventures		-	-
2.3 Cash paid for the purchase of tangible and intangible asset		(23,430)	(263,962)
2.4 Cash obtained from the sale of tangible and intangible asset		-	-
2.5 Cash paid for the purchase of financial assets at fair value through other comprehensive income		(21,936)	(3,642)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		13,628	19,596
2.7 Cash paid for the purchase of financial assets at amortised cost		(21,121)	(62,902)
2.8 Cash obtained from sale of financial assets at amortised cost		11,982	-
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		109,805	328,045
3.1 Cash Obtained from Funds Borrowed and Securities Issued		346,661	388,338
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(236,731)	(305,293)
3.3 Equity instruments issued		-	245,000
3.4 Dividends Paid		-	-
3.5 Payments for Finance Lease Liabilities		(125)	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(5.6.2)	9,755	96,984
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		89,644	17,471
VI. Cash and Cash Equivalents at the Beginning of the Period	(5.6.1)	100,987	83,516
VII. Cash and Cash Equivalents at the End of the Period (V+VI)	(5.6.1)	190,631	100,987

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

Notes to Unconsolidated Statements of Profit Distribution For the Year Ended 31 December 2019

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

VII. PROFIT DISTRIBUTION STATEMENT

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

¹⁾ As of financial statements preparation date, Bank's General Shareholders Meeting have not yet been made, hence no decision has been taken on profit distribution.

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

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

Notes to Unconsolidated Financial Statements at 31 December 2019

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

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

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

Explanation for convenience translation into English:

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

Notes to Unconsolidated Financial Statements at 31 December 2019

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Bank does not have any embedded derivative instruments.

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

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

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

IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

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

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with IFRS 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.

Notes to Unconsolidated Financial Statements at 31 December 2019

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS

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

Financial assets at fair value through profit or loss

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

Loans

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

VII. EXPLANATIONS ON EXPECTED CREDIT LOSS

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

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

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

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

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

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

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

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

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.

Notes to Unconsolidated Financial Statements at 31 December 2019

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON EXPECTED CREDIT LOSS (Continued)

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:

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

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

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.

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

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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 discontinued operations are presented individually in income statement.

The Bank has no discontinued operations.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)

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

XVII. EXPLANATIONS ON TAXATION

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

Transfer Pricing

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

XVIII. EXPLANATIONS ON BORROWINGS

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

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

XIX. EXPLANATIONS ON ISSUANCE OF SHARES CERTIFICATES

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

The Bank has not issued any share certificates.

No dividend payments were announced after the balance sheet date.

XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

None.

XXII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXIII. EXPLANATIONS ON EARNINGS PER SHARE

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

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

XXIV. EXPLANATIONS ON RELATED PARTIES

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

XXV. EXPLANATIONS ON CASH AND CASH EQUIVALENTS

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

XXVI. EXPLANATIONS ON SEGMENT REPORTING

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

XXVII. RECLASSIFICATIONS

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

XXVIII. EXPLANATIONS ON OTHER MATTERS

None.

SECTION FOUR

INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT

I. INFORMATION ABOUT SHAREHOLDERS' EQUITY ITEMS

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

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

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

I. INFORMATION ABOUT SHAREHOLDERS' EQUITY ITEMS (Continued)

a. Information on shareholders' equity

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

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

I. INFORMATION ABOUT SHAREHOLDERS' EQUITY ITEMS (Continued)

	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Additional Tier 1 capital: instruments				
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	-	-	-	-
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards	-	-	-	-
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out	-	-	-	-
Additional Tier 1 capital before regulatory adjustments	-	-	-	-
Additional Tier 1 capital: regulatory adjustments				
Investments in own Additional Tier 1 instruments	-	-	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
National specific regulatory adjustments	-	-	-	-
The process of transition will continue to reduce from Tier 1 Capital				
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	-	-	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions(-)	-	-	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-	-	-
Additional Tier 1 capital (AT1)	-	-	-	-
Tier 1 capital (T1 = CET1 + AT1)	527,056	-	506,368	-

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

I. INFORMATION ABOUT SHAREHOLDERS' EQUITY ITEMS (Continued)

	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Tier 2 capital: instruments and provisions				
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Provisions	21,423	-	17,296	-
Tier 2 capital before regulatory adjustments	21,423	-	17,296	-
Tier 2 capital: regulatory adjustments				
Investments in own Tier 2 instruments (-)	-	-	-	-
Reciprocal cross-holdings in Tier 2 instruments	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
National specific regulatory adjustments (-)	-	-	-	-
Total regulatory adjustments to Tier 2 capital	-	-	-	-
Tier 2 capital (T2)	21,423	-	17,296	-
Total capital (TC = T1 + T2)	548,479	-	523,664	-
Total risk weighted assets	-	-	-	-
Loans extended being non-compliant with articles 50 and 51 of the Law	-	-	-	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition(-)	-	-	-	-
National specific regulatory adjustments	-	-	-	-
The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital				
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%	-	-	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-	-	-

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

I. INFORMATION ABOUT SHAREHOLDERS' EQUITY ITEMS (Continued)

	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Shareholders' Equity				
Total shareholders' equity	548,479	-	523,664	-
Total risk weighted items	1,713,856	-	1,383,657	-
CAPITAL ADEQUACY RATIOS				
Core Capital Adequacy Ratio (%)	30.75	-	36.60	-
Tier 1 Capital Adequacy Ratio (%)	30.75	-	36.60	-
Capital Adequacy Standard Ratio (%)	32.00	-	37.85	-
BUFFERS				
Total additional core capital requirement ratio (a+b+c)	2.505	-	2.142	-
a) Capital conservation buffer requirement (%)	2.500	-	1.875	-
b) Bank specific countercyclical buffer requirement (%)	0.005	-	0.267	-
c) Higher bank buffer requirement ratio (%)	-	-	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	22.75	-	27.74	-
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financials	-	-	-	-
Significant investments in the common stock of financials	-	-	-	-
Mortgage servicing rights (net of related tax liability)	-	-	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-	-
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	34,015	-	17,296	-
Cap on inclusion of provisions in Tier 2 under standardised approach	21,423	-	17,296	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Current cap on common equity T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from common equity T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-
Current cap on additional T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from additional T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-

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

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

I. INFORMATION ABOUT SHAREHOLDERS' EQUITY ITEMS (Continued)

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

None (31 December 2018 - None).

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

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

II. EXPLANATIONS ON CREDIT RISK

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

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

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

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

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

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II. EXPLANATIONS ON CREDIT RISK (Continued)

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

g. The Bank does not have any credit transaction abroad.

h. The Bank, as an active participant in the national and international banking market, compared to the financial activities of other financial institutions, is not exposed to high volumes of credit risk.

i. The share of the greatest 100 and 200 cash loan customers within the total cash loans portfolio is 100% and 100%, respectively (31 December 2018: 100% and 100%).

The share of the greatest 100 and 200 non-cash loan customers within the total non-cash loans portfolio is 100% and 100%, respectively (31 December 2018: 100% and 100%).

The share of the greatest 100 and 200 cash and non-cash loan customers within the total cash and non-cash loans portfolio in the on and off balance sheets is 100% and 100%, respectively (31 December 2018: 100% and 100%).

j. The expected credit losses for the credit risk is TL 34,015 (31 December 2018 - TL 16,483).

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

- k. The total amount of risk the Bank is exposed to, without taking into account the mitigation effects, and average of the risks grouped based on different risk classes and types are shown in the table below:

	31 December 2019		31 December 2018	
	Current Period Risk Amount ¹	Average Risk Risk Amount ¹	Prior Period Average Risk Amount ²	Average Risk Amount ²
Risk Classifications				
Conditional and unconditional receivables from Central Governments or Central Banks	162,261	127,578	89,301	98,986
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	359,931	297,004	249,918	176,516
Conditional and unconditional corporate receivables	1,181,437	1,088,949	1,051,300	981,045
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	32,514	13,749	12,588	21,666
Non-performing receivables	1,351	1,019	-	-
Receivables defined in high risk category by BRSA	-	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	42,350	86,280	48,186	142,281
Investments in nature of Collective Investment funds	-	-	-	-
Equity security investments	-	-	-	-
Other receivables	263,586	257,993	256,421	182,896
Total	2,043,430	1,872,572	1,707,714	1,603,390

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

I. Profile of significant exposures in significant regions

Current Period	Risk Classifications ¹						
	1	2	3	4	5	6	7
Domestic	162,261	-	-	-	-	329,213	885,670
European Union Countries	-	-	-	-	-	-	89,762
OECD Countries ²	-	-	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	30,718	206,005
Associates, Subsidiaries and Joint -Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ³	-	-	-	-	-	-	-
Total	162,261	-	-	-	-	359,931	1,181,437

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

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

Risk Classifications ¹											
	8	9	10	11	12	13	14	15	16	17	Total
	-	32,514	1,351	-	-	-	40,127	-	-	263,586	1,714,722
	-	-	-	-	-	-	481	-	-	-	90,243
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	824	-	-	-	824
	-	-	-	-	-	-	918	-	-	-	237,641
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	32,514	1,351	-	-	-	42,350	-	-	263,586	2,043,430

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

Prior Period	Risk Classifications ¹							
	1	2	3	4	5	6	7	8
Domestic	89,301	-	-	-	-	208,001	919,386	-
European Union Countries	-	-	-	-	-	-	-	-
OECD Countries ²	-	-	-	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	1,012	-	-
Other Countries	-	-	-	-	-	40,906	131,913	-
Associates, Subsidiaries and Joint -Ventures	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ³	-	-	-	-	-	-	-	-
Total	89,301	-	-	-	-	249,919	1,051,299	-

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

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

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

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

	Risk Classifications ¹									
	9	10	11	12	13	14	15	16	17	Total
	12,588	-	-	-	-	48,186	-	-	256,421	1,533,883
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	1,012
	-	-	-	-	-	-	-	-	-	172,819
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	12,588	-	-	-	-	48,186	-	-	256,421	1,707,714

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

12. Risk profile by sectors or counterparties

Current Period	Risk Classifications ¹								
	1	2	3	4	5	6	7	8	9
Agriculture	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	269,555	-	-
Mining and Quarrying	-	-	-	-	-	-	32,674	-	-
Production	-	-	-	-	-	-	138,668	-	-
Electricity, Gas and Water	-	-	-	-	-	-	98,213	-	-
Construction	-	-	-	-	-	-	309,597	-	1,841
Services	162,261	-	-	-	-	359,931	602,276	-	30,673
Wholesale and Retail Trade	-	-	-	-	-	-	58,173	-	25,594
Accommodation and Dining	-	-	-	-	-	-	42	-	-
Transportation and Telecom	-	-	-	-	-	-	110,940	-	-
Financial Institutions	162,261	-	-	-	-	359,931	274,957	-	5,079
Real Estate and Rental Services	-	-	-	-	-	-	158,164	-	-
Professional Services	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	9	-	-
Total	162,261	-	-	-	-	359,931	1,181,437	-	32,514

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

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

	Risk Classifications ¹										
	10	11	12	13	14	15	16	17	LC	FC	Total
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	19,070	250,485	269,555
	-	-	-	-	-	-	-	-	-	32,674	32,674
	-	-	-	-	-	-	-	-	18,650	120,018	138,668
	-	-	-	-	-	-	-	-	420	97,793	98,213
	-	-	-	-	-	-	-	-	82,646	228,792	311,438
	1,351	-	-	-	42,350	-	-	-	495,829	703,013	1,198,842
	763	-	-	-	-	-	-	-	21,525	63,005	84,530
	-	-	-	-	-	-	-	-	42	-	42
	588	-	-	-	-	-	-	-	30,090	81,438	111,528
	-	-	-	-	42,350	-	-	-	430,588	413,990	844,578
	-	-	-	-	-	-	-	-	13,584	144,580	158,164
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	263,586	263,595	-	263,595
	1,351	-	-	-	42,350	-	-	263,586	861,140	1,182,290	2,043,430

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

Prior Period	Risk Classifications ¹								
	1	2	3	4	5	6	7	8	9
Agriculture	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	217,957	-	-
Mining and Quarrying	-	-	-	-	-	-	37,650	-	-
Production	-	-	-	-	-	-	88,946	-	-
Electricity, Gas and Water	-	-	-	-	-	-	91,361	-	-
Construction	-	-	-	-	-	-	90,102	-	5,436
Services	89,301	-	-	-	-	249,918	639,297	-	7,152
Wholesale and Retail Trade	-	-	-	-	-	-	112,497	-	-
Accommodation and Dining	-	-	-	-	-	-	758	-	-
Transportation and Telecom	-	-	-	-	-	-	143,161	-	-
Financial Institutions	89,301	-	-	-	-	249,918	341,906	-	-
Real Estate and Rental Services	-	-	-	-	-	-	40,975	-	7,152
Professional Services	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	103,944	-	-
Total	89,301	-	-	-	-	249,918	1,051,300	-	12,588

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

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

m. Analysis of maturity bearing exposures according to remaining maturities

Risk Classifications (Current Period)	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year ²
Conditional and unconditional receivables from Central Governments or Central Banks	126,731	1,116	29,917	-	4,497
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	156,033	50,921	44,538	22,814	85,625
Conditional and unconditional corporate receivables	148,377	92,488	222,826	258,368	459,378
Conditional and unconditional retail receivables	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	824	1,509	751	8,478	20,952
Non-performing receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	42,350	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-
Equity security investments	-	-	-	-	-
Other receivables	9,398	-	-	-	254,188
Total¹	483,713	146,034	298,032	289,660	824,640

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

2) Includes also undistributed amounts.

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

Risk Classifications (Prior Period)	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year ²
Conditional and unconditional receivables from Central Governments or Central Banks	85,462	-	-	3,839	-
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	63,371	68,758	25,537	16,387	75,864
Conditional and unconditional corporate receivables	222,094	163,194	78,063	227,357	360,592
Conditional and unconditional retail receivables	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	478	976	1,517	3,236	6,381
Non-performing receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	48,186	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-
Equity security investments	-	-	-	-	-
Other receivables	-	-	-	-	256,422
Total¹	419,591	232,928	105,117	250,819	699,259

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

2) Includes also undistributed amounts.

n. The Bank has no particular agreement with a credit rating agency.

o. There is no credit rating for issuer or issue for the items not included in trading accounts where there is no credit ratings.

p. Risk amounts according to risk weights^o

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

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

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

r. Miscellaneous Information by major sectors and type of counterparties

In accordance with TFRS 9;

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

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

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

1) Cash Loans

2) Expected Credit Losses for cash loans

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

s. Movements in value adjustments and provisions

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

Prior Period	Opening Balance - Before TFRS9	Recalculations	Opening Balance - After TFRS9	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific provisions (Stage 3)	-	-	-	6,033	-	-	6,033
General provisions (Stage 1& 2)	7,393	(2,538)	4,855	11,630	-	-	16,485

t. Risk involved in counter-cyclical capital buffer calculation

The breakdown of private sector receivables by geographic area which considered in the calculation of counter-cyclical capital buffer in accordance with 'Capital Conservation and Countercyclical Capital buffers' published in official gazette dated 5 November 2013 and numbered 28812 and the sub-regulations are provided in the table below:

Current Period Country	Banking book for private sector lending	RWAs of trading book	Total
Turkey	1,260,967	-	1,260,967
Montenegro	202,650	-	202,650
Ireland	89,762	-	89,762
Azerbaijan	34,240	-	34,240
Georgia	628	-	628
United States of America	582	-	582
Others	186	-	186
Total	1,589,015	-	1,589,015

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

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

III. EXPLANATIONS ON CURRENCY RISK

The Bank's foreign currency position is managed within the limits set by legislation and the Bank.

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

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

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

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

Foreign Exchange Sensitivity Analysis

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

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

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

III. EXPLANATIONS ON CURRENCY RISK (Continued)

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

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

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

⁽³⁾ Presented in other liabilities at financial statements.

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

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

IV. EXPLANATIONS ON INTEREST RATE RISK

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

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

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

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

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

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

⁽²⁾ Finance lease receivables are included.

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

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

⁽⁵⁾ Presented in other liabilities at financial statements.

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

IV. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

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

⁽²⁾ Finance lease receivables are included.

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

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

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

IV. EXPLANATIONS ON INTEREST RATE RISK (Continued)

b. Average interest rates for monetary financial instruments

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

⁽¹⁾ Includes borrowers' funds.

31 December 2018	EUR %	USD %	JPY %	TRY %
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	0.97	-	8.77
Due From Banks	-	4.00	-	26.42
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	0.01	2.13	-	27.13
Financial assets at fair value through other comprehensive income	-	-	-	22.56
Loans	5.17	7.24	-	21.33
Financial assets measured at amortised cost	-	8.19	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables ⁽¹⁾	-	2.02	-	10.99
Marketable Securities Issued	-	3.90	-	30.08
Funds Borrowed From Other Financial Institutions	0.27	2.63	-	25.84

⁽¹⁾ Includes borrowers' funds.

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

IV. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

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

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

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

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

V. EXPLANATIONS ON EQUITY POSITION RISK

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

VI. EXPLANATIONS ON 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.

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

VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO (Continued)

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.

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

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

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

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

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

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

e. Information on liquidity risk reduction techniques

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

f. Disclosure regarding use of stress test

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

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

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

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

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

VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO (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, 66% of the high quality liquid assets of LKO subject bank accounts with the Central Bank, and 34% of the issued securities is composed by the Treasury of Republic of Turkey. The main funding sources of the Bank are loans received, debts due to money markets and securities issued.

As of the balance sheet date, 56% of the Bank's funds consist of loans received and 40% consists of securities issued. There may be fluctuations in the liquidity coverage ratio in the weeks when the share of funds originated from banks within fund sources increases or when medium/long term foreign funds, which are renewed when due, enter the one-month maturity.

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

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

VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO (Continued)

Current Period 31 December 2019 ⁽²⁾	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	LC+FC	FC	LC+FC	FC
High-quality Liquidity Assets (HLA)				
1 High-quality Liquidity Assets			189,895	144,589
Cash Outflows				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	203,997	134,536	203,997	134,536
6 Operational assets	-	-	-	-
7 Non -operating assets	-	-	-	-
8 Other Junior debt	203,997	134,536	203,997	134,536
9 Secured Debts	-	-	-	-
10 Other Cash Outflows	111,597	36,770	57,203	21,582
11 Derivative liabilities and margin liabilities	-	-	-	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	111,597	36,770	57,203	21,582
14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet liabilities	111,597	36,770	57,203	21,582
16 TOTAL CASH OUTFLOWS			261,200	156,118
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	138,518	78,892	91,487	60,699
19 Other cash inflows	-	-	-	-
20 TOTAL CASH INFLOWS	138,518	78,892	91,487	60,699
			Upper limit applied amount	
21 TOTAL HLA STOCK			189,895	144,589
22 TOTAL NET CASH OUTFLOWS ⁽¹⁾			169,713	95,419
23 LIQUIDITY COVERAGE RATION (%)			111.89%	151.53%

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

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

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

VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO (Continued)

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

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

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

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

VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO (Continued)

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

31 December 2019	Maximum	Week	Minimum	Week	Average
LC	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
31 December 2018	Maximum	Week	Minimum	Week	Average
LC	588.72	12.10.2018	239.38	14.12.2018	427.84
LC+FC	315.64	28.12.2018	134.85	23.11.2018	269.80

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

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

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

VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO (Continued)

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

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

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

⁽²⁾ Finance lease receivables are included.

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

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

⁽⁵⁾ Presented in other liabilities at financial statements.

⁽⁶⁾ Includes asset purchase and sale commitments

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

VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO (Continued)

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

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

⁽²⁾ Finance lease receivables are included.

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

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

⁽⁵⁾ Presented in other liabilities at financial statements.

⁽⁶⁾ Includes asset purchase and sale commitments

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

VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO (Continued)

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

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-
Funds borrowed from other financial inst.	374,413	129,382	166,262	-	-	670,057
Funds from interbank money market	6,194	-	-	-	-	6,194
Financial leasing payables	7	16	64	106	-	193
Marketable securities issued	1,460	10,524	12,252	491,919	-	516,155
Current accounts of customers	14,972	-	-	-	-	14,972
Total	397,046	139,922	178,578	492,025	-	1,207,571

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

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

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

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VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO (Continued)

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

VII. EXPLANATIONS ON LEVERAGE RATIO

Unconsolidated leverage ratio was realized as 26.5% (31 December 2018 - 28.3%). The increase occurred in the on-balance sheet assets and off-balance sheet transactions led to a change in leverage compared to the previous period. Regulation has been linked to the provision of the minimum leverage ratio of 3%.

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

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

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT

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

a. Bank's risk management approach

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

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

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

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

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

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

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

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

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

VIII. EXPLANATIONS ON THE 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 December 2019	31 December 2018	31 December 2019
Credit risk (excluding counterparty credit risk) (CCR)	1,576,612	1,308,308	126,129
Of which standardised approach (SA)	1,576,612	1,308,308	126,129
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	8,302	1,489	664
Of which standardised approach for counterparty credit risk (SA-CCR)	8,302	1,489	664
Of which internal model method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Equity investments in funds - look-through approach	-	-	-
Equity investments in funds - mandate-based approach	-	-	-
Equity investments in funds - fallback approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
Of which IRB ratings-based approach (RBA)	-	-	-
Of which IRB Supervisory Formula Approach (SFA)	-	-	-
Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	26,276	5,713	2,102
Of which standardised approach (SA)	26,276	5,713	2,102
Of which internal model approaches (IMM)	-	-	-
Operational risk	102,666	68,147	8,213
Of which Basic Indicator Approach	102,666	68,147	8,213
Of which Standardised Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	1,713,856	1,383,657	137,108

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

c. Linkages between financial statements and regulatory exposures

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

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

1) Unconsolidated financial statements of Bank are stated.

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

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VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

1) Unconsolidated financial statements of Bank are stated.

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

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

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

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

	Prior Period	Total	Subject to credit risk	Subject to securitization	Subject to counterparty credit risk	Subject to market risk ¹
1	Assets carrying value amount in accordance with TAS under scope of regulatory consolidation	1,348,246	1,331,737	-	5,034	5,713
2	Liabilities carrying value amount in accordance with TAS under regulatory scope of consolidation	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	1,348,246	1,331,737	-	5,034	5,713
4	Off-balance sheet amounts	422,653	343,228	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences due to BRSA's applications		-	-	-	-
9	Differences due to risk reduction		(366,657)	-	(3,546)	-
	Risk amounts		1,308,308		1,488	5,713

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

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

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

None.

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

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

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

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

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

d. Explanations on Credit Risk

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

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

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

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

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

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

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

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

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

d.1) CR1 - Credit quality of assets

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

Prior Period	Gross Carrying Amounts reported in Financial Statements in accordance with TAS		Allowances/ amortization and impairment	Net Value
	Defaulted exposures	Non-defaulted exposures		
1 Loans and lease receivables	2,663	852,571	(14,956)	840,278
2 Debt securities	-	69,099	(571)	68,528
3 Off-balance sheet exposures	-	422,653	(6,911)	415,742
Total	2,663	1,344,323	(22,438)	1,324,548

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

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

¹⁾ Includes collection from the non-performing loans.

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

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

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

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

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

Non-Performing loans and specific provision by geographic breakdown

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

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

Non-Performing loans and specific provision by sectoral breakdown

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

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

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

Information on loans that have been restructured or rescheduled

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

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

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

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

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

	Current Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans and lease receivables	1,045,060	-	-	-	-	-	-
2	Debt securities	96,133	-	-	-	-	-	-
3	Total	1,141,193	-	-	-	-	-	-
4	Defaulted items	35,454	-	-	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans and lease receivables	840,278	-	-	-	-	-	-
2	Debt securities	68,528	-	-	-	-	-	-
3	Total	908,806	-	-	-	-	-	-
4	Defaulted items	2,663	-	-	-	-	-	-

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

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

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VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

Current Period	Risk Classifications	Exposures before credit risk mitigation and credit conversion factors		Exposures after credit risk mitigation and credit conversion factors		Risk weighted assets (RWA) amounts and RWA density	
		On balance sheet amount ¹	Off balance sheet amount	On balance sheet amount ¹	Off balance sheet amount	RWA ¹	RWA Density
1	Receivables from Central Governments or Central Banks	162,261	-	162,261	-	29,917	18.44%
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	0.00%
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	0.00%
4	Receivables from Multilateral Development Banks	-	-	-	-	-	0.00%
5	Receivables from International Organizations	-	-	-	-	-	0.00%
6	Receivables from Banks and Brokerage Corporation	271,625	123,665	271,625	80,196	174,017	49.46%
7	Corporate receivables	979,058	232,724	979,058	202,379	1,066,789	90.30%
8	Retail receivables	-	-	-	-	-	0.00%
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	0.00%
10	Collateralized by trading mortgages receivables	32,514	-	32,514	-	16,257	50.00%
11	Non-performing receivables	1,351	-	1,351	-	1,351	100.00%
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	0.00%
13	Securities collateralized by mortgages	-	-	-	-	-	0.00%
14	Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	41,949	17	41,949	17	40,323	96.08%
15	Investments in nature of Collective Investment funds	-	-	-	-	-	0.00%
16	Equity security investments	263,586	-	263,586	-	247,958	94.07%
17	Other receivables	-	-	-	-	-	0.00%
	Total	1,752,344	356,406	1,752,344	282,592	1,576,612	77.48%

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

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VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

Prior Period	Risk Classifications	Exposures before credit risk mitigation and credit conversion factors		Exposures after credit risk mitigation and credit conversion factors		Risk weighted assets (RWA) amounts and RWA density	
		On balance sheet amount ¹	Off balance sheet amount	On balance sheet amount ¹	Off balance sheet amount	RWA ¹	RWA Density
1	Receivables from Central Governments or Central Banks	89,301	-	89,301	-	-	0.00%
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	0.00%
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	0.00%
4	Receivables from Multilateral Development Banks	-	-	-	-	-	0.00%
5	Receivables from International Organizations	-	-	-	-	-	0.00%
6	Receivables from Banks and Brokerage Corporation	175,379	118,353	131,565	118,353	156,515	63.00%
7	Corporate receivables	806,779	280,131	771,169	280,131	865,517	82.00%
8	Retail receivables	-	-	-	-	-	0.00%
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	0.00%
10	Collateralized by trading mortgages receivables	12,588	-	12,588	-	6,294	50.00%
11	Non-performing receivables	-	-	-	-	-	0.00%
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	0.00%
13	Securities collateralized by mortgages	-	-	-	-	-	0.00%
14	Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	48,186	-	48,186	-	37,221	77.00%
15	Investments in nature of Collective Investment funds	-	-	-	-	-	0.00%
16	Equity security investments	256,421	-	256,421	-	244,250	95.00%
17	Other receivables	-	-	-	-	-	0.00%
	Total	1,388,654	398,484	1,309,230	398,484	1,309,797	77.00%

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

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VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

KR5 - Standardised approach - exposures by risk classes and risk weights

					50%						Total credit risk amount (after CRM and CCF)
	Current Period	0%	10%	20%	Guaranteed by mortgages	75%	100%	150%	200%	Others	
1	Receivables from Central Governments or Central Banks	132,344	-	-	-	-	29,917	-	-	-	162,261
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-	-
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-	-
4	Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from Banks and Brokerage Corporation	147,045	-	-	61,517	-	143,259	-	-	-	351,821
7	Corporate receivables	-	-	44,953	157,370	-	979,114	-	-	-	1,181,437
8	Retail receivables	-	-	-	-	-	-	-	-	-	-
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-	-
10	Collateralized by trading mortgages receivables	-	-	-	32,514	-	-	-	-	-	32,514
11	Non-performing receivables	-	-	-	-	-	1,351	-	-	-	1,351
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables and corporate receivables from Banks and Brokerage Corp.	-	-	130	3,203	-	38,508	125	-	-	41,966
15	Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-	-
16	Equity security investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	15,628	-	-	-	-	247,958	-	-	-	263,586
	Total	295,017	-	45,083	254,604	-	1,440,107	125	-	-	2,034,936

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VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

e. Issues related to counterparty credit risk (CCR)

The CCR strategy is determined by counterparty type and product categories. Counterparties are categorized as central counterparties, banks, corporate and commercial companies. The products are grouped as foreign exchange transactions (forward, futures, swap), interest swap transactions (interest swap, cross currency swap and futures and repo transactions).

The creditworthiness of the counterparty is analyzed prior to the transactions leading to the CCR and subsequently the creditworthiness of the counter parties is reviewed at regular intervals. The frequency of inspections is increased when necessary.

The scope and level of information providing the opportunity to assess the creditworthiness of the counterparty shall be differentiated depending on the volume of the transaction to be realized, the level of the CCR and/or the counterparty.

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VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

For counterparties except banks, the counterparty credit risk limits are determined based on credit allocation policies. In case of deterioration of market conditions or in case of deterioration of credit quality of some counterparties, limits are reviewed and necessary changes are made.

The related approvals identified for loan allocation process are applied for corporate and individual customers, excluding banks. In case of deterioration in market conditions and/or in the credit quality of the borrower company/group, the related company/group limits are reviewed and necessary actions are taken. For the loan allocation process approvals of Board of Directors or the relevant committee approvals authorized by the Board of Directors are applied. In case of significant changes in market conditions and/or structure or financials of the related company/group, the related company/group limits are reviewed and necessary actions are taken. Collateralization principles and procedures are applied for counterparties other than financial institutions within the framework of credit policies and application principles currently applied in the Bank.

The potential, current and maximum risk amounts of the transactions are calculated/determined in order to determine the CCR. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

e.1) CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach-CCR (for derivatives)	142	117		1.40	384	130
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					155,155	8,110
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
	Total						8,240

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach-CCR (for derivatives)	2,000	495		1.4	2,977	1,489
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					50,000	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
	Total						1,489

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

	Current Period		Prior Period	
	Risk amount (after credit risk mitigation techniques)	Risk weighted amounts	Risk amount (after credit risk mitigation techniques)	Risk weighted amounts
Total portfolios subject to the Advanced CVA capital charge	-	-	-	-
1 (i) Value at Risk (VaR) component (including the 3×multiplier)		-		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-		-
3 All portfolios subject to the Standardised CVA capital charge	384	62	2,977	363
Total subject to the CVA capital charge	384	62	2,977	363

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

Current Period	Risk Weights								Total Credit Risk
	0%	10%	20%	50%	75%	100%	150%	Other	
Risk Classifications									
Receivables from Central Governments or Central Banks	-	-	-	-	-	-	-	-	-
Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-
Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-
Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Receivables from International Organizations	-	-	-	-	-	-	-	-	-
Receivables from Banks and Brokerage Corporation	147,045	-	-	-	-	8,110	-	-	155,155
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	384	-	-	-	-	384
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	147,045	-	-	384	-	8,110	-	-	155,539

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

Prior Period	Risk WeightsRisk Ağırlıkları								Total Credit Risk
	0%	10%	20%	50%	75%	100%	150%	Other	
Risk Classifications									
Receivables from Central Governments or Central Banks	-	-	-	-	-	-	-	-	-
Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-
Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-
Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Receivables from International Organizations	-	-	-	-	-	-	-	-	-
Receivables from Banks and Brokerage Corporation	50,000	-	-	-	-	-	-	-	50,000
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	2,977	-	-	-	-	2,977
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	50,000	-	-	2,977	-	-	-	-	52,977

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

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

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

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

e.5) CCR6 - Credit derivatives

The Bank does not have credit derivatives.

e.6) CCR8 - Exposures to central counterparties

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

f. Issues to be announced to public related to securitisation positions

The Bank does not have transactions related with securitizations, the related table has not been prepared.

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

VIII. EXPLANATIONS ON THE RISK MANAGEMENT (Continued)

g. Explanations on market risk

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

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

		Current Period	Prior Period
		RWA	RWA
Outright products			
1	Interest rate risk (general and specific)	588	725
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	25,688	4,988
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
Total		26,276	5,713

h. Explanations on operational risk

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué is used in the operational risk calculation of the Bank and calculated on a yearly basis.

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

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

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

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

Fair value calculations of financial assets and liabilities

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

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

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

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

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

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

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

Fair value hierarchy:

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

Aforesaid fair value hierarchy is determined as follows:

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

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

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

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	2,787	-	-	2,787
Derivative financial assets	-	2,247	-	2,247
Financial assets at fair value through other comprehensive income	8,314	-	-	8,314
Financial assets measured at amortised cost	60,974	-	-	60,974
Loans	-	-	847,585	847,585
Total Assets	72,075	2,247	847,585	921,907
Funds borrowed from other fin. Institutions	-	-	460,531	460,531
Securities issued	-	-	320,970	320,970
Derivative financial liabilities	-	116	-	116
Miscellaneous Payables	-	-	29	29
Borrowers' funds	-	-	23,000	23,000
Total liabilities	-	116	804,530	804,646

There are no transfers between the levels.

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

X. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS

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

IX. EXPLANATIONS ON OPERATING SEGMENTS

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

Prior Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	837,615	511,950	1,349,565
Total Liabilities	23,000	1,326,565	1,349,565
Net Interest Income/(Loss)	110,575	(31,077)	79,498
Net Fee and Commission Income/(Loss)	3,168	-	3,168
Trading Gain/(Loss)	-	(1,009)	(1,009)
Other Operating Segments Gain/(Loss)	-	855	855
Provisions for Loan Losses and Other Receivables(-)	(17,713)	-	(17,713)
Other Operating Expense (-)	-	(69,095)	(69,095)
Profit Before Tax	96,030	(100,326)	(4,296)
Tax Provision	(16,385)	17,118	733
Net Profit	79,645	(83,208)	(3,563)

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES Related to Assets

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

a. Information on cash and the account of the CBRT

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

b. Information on the account of the CBRT

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

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

⁽²⁾ The blocked reserve requirement at Central Bank.

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

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

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

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

b. Financial assets at fair value through profit or loss

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

c. Positive differences related to derivative financial assets

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

3. Information on banks

a. Information on banks

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

b. Information on foreign banks accounts

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

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

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

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

5. Information on loans

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

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

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

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

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

31 December 2018 Cash Loans ⁽¹⁾	Standard Loans	Loans Under Close Monitoring		
		Not under the scope of restructuring	Restructured Loans	
			Modifications on agreement conditions	Refinancing
Non-specialized Loans	761,078	60,945	17,963	-
Loans given to enterprises	169,250	31,295	17,963	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	213,904	15,262	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	377,924	14,388	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	761,078	60,945	17,963	-

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

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

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

c. Breakdown of loans according to their maturities

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

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

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

None (31 December 2018 - None).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

e. Information on commercial instalment loans and corporate credit cards

31 December 2019	Short Term	Medium-Long Term	Total
Commercial installment loans-LC	-	5,718	5,718
Business residential loans	-	-	-
Automobile loans	-	4,300	4,300
Consumer loans	-	1,418	1,418
Other	-	-	-
Commercial installment loans- Indexed to FC	-	18,561	18,561
Business residential loans	-	-	-
Automobile loans	-	2,657	2,657
Consumer loans	-	15,904	15,904
Other	-	-	-
Commercial installment loans - FC	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-LC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Overdraft accounts-LC (Commercial customer)	-	-	-
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	-	24,279	24,279

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

31 December 2018	Short Term	Medium-Long Term	Total
Commercial installment loans-LC	6,109	13,782	19,891
Business residential loans	-	-	-
Automobile loans	877	11,424	12,301
Consumer loans	-	1,716	1,716
Other	5,232	642	5,874
Commercial installment loans- Indexed to FC	76	27,392	27,468
Business residential loans	-	-	-
Automobile loans	76	10,956	11,032
Consumer loans	-	16,436	16,436
Other	-	-	-
Commercial installment loans - FC	-	48,585	48,585
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	48,585	48,585
Corporate credit cards-LC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Overdraft accounts-LC (Commercial customer)	-	-	-
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	6,185	89,759	95,944

f. Loans according to types of borrowers

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

g. Distribution of domestic and foreign loans

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

h. Loans granted to investments in associates and subsidiaries

None (31 December 2018 - None).

i. Specific provisions accounted for loans

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

j. Information on non-performing loans

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

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

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
31 December 2018			
Prior period end balance	-	-	-
Additions (+)	2,663	-	-
Transfers from other categories of loans under follow-up (+)	-	-	-
Transfers to other categories of loans under follow-up (-)	-	-	-
Collections (-)	-	-	-
Deducted from the record (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	2,663	-	-
Provision (-)	(2,663)	-	-
Net Balance on balance sheet	-	-	-

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

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

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

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

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.

6. Information on financial assets measured at amortized cost

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

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

b. Information on government debt securities measured at amortized cost

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

c. Information on financial assets measured at amortized cost

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

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

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

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

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

7. Information on investments in associates (Net)

a. Information on unconsolidated investments in associates

None (31 December 2018 - None).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

b. Information on consolidated investments in associates

None (31 December 2018 - None).

8. Information on subsidiaries (Net)

None (31 December 2018 - None).

9. Information on joint ventures

None (31 December 2018 - None).

10. Information on lease receivables (Net)

a. Information on lease receivables

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

b. Remaining maturities of financial lease investments

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

11. Information on hedging derivative financial assets

None (31 December 2018 - None).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

12. Information on property and equipment

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

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES Related to Assets (Continued)

13. Information on intangible assets

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

14. Information on investment property:

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

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

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

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

16. Information on assets held for resale and discontinued operations

None (31 December 2018 - None).

17. Information on other assets

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

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. Information on deposits

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

2. Negative differences related to derivative financial liabilities

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

3. Information on borrowings

a. Information on banks and other financial institutions

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

b. Information on maturity structure of borrowings

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

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

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

4. Money Market Funds

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

5. Securities Issued

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

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

6. Information on other liabilities

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

7. Information on financial lease agreements

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

8. Information on hedging derivative financial liabilities

None (31 December 2018 - None).

9. Information on provisions

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

None (31 December 2018 - None).

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

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

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

c. Information on other provisions

i. Information on provisions for possible risks

None (31 December 2018 - None).

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

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

iii. Obligations related to employee rights

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

The movement of employee termination benefits is shown below

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

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

10. Information on taxes payable:

a. Information on current year tax liability

i. Information on tax provision

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

Notes to Unconsolidated Financial Statements at 31 December 2019

(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)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

ii. Information on taxes payable

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

iii. Information on premium payables

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

11. Information on deferred tax liability

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

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

None (31 December 2018 - None).

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

None (31 December 2018 - None).

14. Information on shareholders' equity

a. Presentation of paid-in capital

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

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

The Bank does not apply the registered share capital system.

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

None.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

None.

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

None (31 December 2018 - None).

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

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

g. Summary information about privileged shares representing the capital

None (31 December 2018 - None).

h. Information on marketable securities value increase fund

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

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

1. Information on off-balance sheet commitments

a. The amount and type of irrevocable commitments

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

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

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

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

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

c. Total amount of non-cash loans

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

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

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

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

Notes to Unconsolidated Financial Statements at 31 December 2019

(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)

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

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

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

2. Information on derivative transactions

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

Notes to Unconsolidated Financial Statements at 31 December 2019

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on credit derivatives and related imposed risks

None (31 December 2018 - None).

4. Information on Contingent Assets and Liabilities

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

1. Information on interest income

a. Information on interest income on loans ⁽¹⁾

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

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

b. Information on interest income on banks

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

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

c. Information on interest income on marketable securities

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

Notes to Unconsolidated Financial Statements at 31 December 2019

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued)

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

None (31 December 2018 - None).

2. Information on interest expense

a. Information on interest expense⁽¹⁾

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

⁽¹⁾ Commission expense for borrowings are also included.

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

None (31 December 2018 - None).

c. Interest expense on issued marketable securities

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

d. Maturity structure of the interest expense on deposits

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

3. Information on dividend income

None (31 December 2018 - None).

4. Information on trading income/loss (Net)

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued)

5. Information on other operating income

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

6. Provision expenses related to loans and other receivables

	31 December 2019	31 December 2018
Expected Credit Loss ⁽¹⁾	38,990	17,663
12 Month Expected Credit Loss (Stage 1)	2,065	4,919
Significant increase in credit risk (Stage 2)	17,295	6,711
Non-Performing Loans (Stage 3)	19,630	6,033
Marketable Securities Impairment Provision	-	50
Financial Assets at Fair Value Through Profit or Loss	-	50
Financial Assets At Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	38,990	17,713

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued)

7. Information related to other operating expenses:

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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (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 97,060, net commission fee income amounting to TL 4,017, trading loss amounting to TL 3,284, other operating income amounting to TL 5,757, provision for loan losses and other receivables amounting to TL 38,990 and other operating expenses including personnel expenses amounting to TL 31,591.

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

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

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

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

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

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

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

None (31 December 2018 - None).

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

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

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

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

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

2. Amounts transferred to legal reserves

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

3. Information on distribution of profit

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

4. Information on capital increase:

The information related to capital increase is presented under Section Five.

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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

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS (Continued)

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

The "Other" items presented in "Net operating income before changes in operating assets and liabilities" amount to TL 12,790 (31 December 2018 - TL 15,528) mainly consists fees and commissions paid and other operating expenses excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 626 (31 December 2018 - TL 23,635) consists of mainly changes in prepaid expenses and other assets.

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

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

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

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

a. Current Period

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

Prior Period

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

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

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. EXPLANATIONS AND NOTES RELATED TO THE BANK'S RISK GROUP (Continued)

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

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

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

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

d. Information on key management compensation

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

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

None (31 December 2018 - None).

PASHA Yatırım Bankası A.Ş.

Notes to Unconsolidated Financial Statements at 31 December 2019

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

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS RELATED TO OPERATIONS OF THE BANK

a. Explanations on ratings of the Bank

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

II. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements for the year ended 31 December 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited) and the independent auditor's report dated 31 January 2020 has been presented preceding the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

Reporting Period	01.01.2019-31.12.2019
Trade Name	PASHA Yatırım Bankası A.Ş.
Trade Registration Number	240320
Head Office Address	Sultan Selim Mahallesi, Hümeýra Sokak, PASHA Plaza, No: 2/7, Kağıthane, İstanbul
Head Office Phone No.	+90 212 705 89 00
Head Office Fax No.	+90 212 345 07 12
Website	www.pashabank.com.tr
E-mail	info@pashabank.com.tr



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