

HSBC BANK A.Ş.

PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT AT 30 SEPTEMBER 2019

(Convenience translation of publicly announced unconsolidated financial statements and independent auditor's limited review report at 30 September 2019, See Note I. of Section Three)

AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish,
See Note I of Section Three)

To the General Assembly of HSBC Bank A.Ş.;

Introduction

We have reviewed the unconsolidated balance sheet of HSBC Bank A.Ş. ("the Bank") at 30 September 2019 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes "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 and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the financial position of HSBC Bank A.Ş. at 30 September 2019 and the results of its operations and its cash flows for the nine-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Other Matter

The unconsolidated financial statements of the Bank as of 31 December 2018 were audited and unconsolidated financial statements for the nine-month period ended 30 September 2018 of the Bank were reviewed by another independent audit firm and this audit firm expressed an unqualified opinion and conclusion in their audit report dated 21 February 2019 and review report dated 12 November 2018 respectively.

Additional Paragraph for Convenience Translation

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

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



November 1, 2019
İstanbul, Turkey



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

UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş.
AS OF AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019

Address of Bank's Headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli
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Contact E-mail Address : hsbchaberlesmemerkezi@hsbc.com.tr

The unconsolidated financial report for the nine month period prepared in accordance with Communiqué on the Financial Statements and the Related Disclosures and Footnotes to be Publicly Announced as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT


The unconsolidated financial statements for the nine month period and related explanations and footnotes in this report are prepared in accordance with the Regulation on Banks' Accounting Applications and Principles and Procedures Concerning the Preservation of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and annexes interpretations thereof and are denominated as **TL thousand** unless otherwise specified, are held to subject to limited independent review and are presented enclosed.


Hamit Aydoğan
Vice President of the
Executive Board


Süleyman Selim Kervancı
General
Manager


Burçin Ozan
Financial Reporting
Assistant General
Manager


Yerliozan Kül
Group Head


Robert Adrian Underwood
Head of
Audit Committee


Neslihan Erkazancı
Member of
Audit Committee

Information about the responsible personnel whom questions may be asked:

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HSBC Bank A.Ş.

Sicil Numarası: İstanbul Ticaret Sicil Müdürlüğü - 268376

Ticaret Ünvanı: HSBC Bank A.Ş.

Şirket Merkezi: Esentepe Mah. Büyükdere Cad. No: 128 Şişli 34394 İstanbul

Sicile Kayıtlı Olduğu Yer: Esentepe Mah. Büyükdere Cad. No: 128 Şişli 34394 İstanbul - İstanbul Ticaret Sicil Md.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

I. BANK’S FOUNDATION DATE, START-UP STATUS, HISTORY REGARDING THE CHANGES IN THIS STATUS

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (“The Bank”) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The Bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224. On 20 September 2001, the ‘Share Sales Agreement’ regarding the sale of all shares of Demirbank T.A.Ş., which was under in Saving Deposit Insurance Fund, was signed by the Bank’s main shareholder HSBC Bank Plc. According to this agreement, the required procedures shall be completed by 31 October 2001 and all shares of the Demirbank T.A.Ş., together with a part of the assets and liabilities shall be transferred to HSBC Bank Plc on 31 October 2001. In 14 December 2001, Demirbank T.A.Ş. and the Bank merged under the name of HSBC Bank Anonim Şirketi and continued its activities. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.’s 100% ownership of the Bank’s capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

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 THAT THE BANK BELONGS TO

As of 30 September 2019, the Bank’s nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.’s 100% ownership of the Bank’s capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017. As of 30 September 2019 there has been no changes regarding the Bank’s capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, IF AVAILABLE, SHARES OF THE BANK THEY POSSESS AND THEIR AREAS OF RESPONSIBILITIES

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board:	David Gordon ELDON	Chairman	Undergraduate
Vice President of the Executive Board:	Hamit AYDOĞAN	Deputy Chairman	Undergraduate
Board of Directors:	Süleyman Selim KERVANCI	Member, CEO	Graduate
	Robert Adrian UNDERWOOD	Member	Undergraduate
	Mehmet Gani SÖNMEZ	Member	Undergraduate
	Edward Michael FLANDERS	Member	Undergraduate
	Neslihan ERKAZANCI	Member	Undergraduate
	Martin François Christian TRICAUD ^(*)	Member	Doctorate
CEO:	Süleyman Selim KERVANCI	CEO	Graduate
Head of Internal Audit:	Umut PAŞİN	Head of Internal Audit	Undergraduate
Deputy CEO:	Rüçhan ÇANDAR	Technology and Services	Graduate
Executive Vice Presidents:	Anthony WRIGHT	Credit and Risk	Graduate
	Yiğit ARSLANCIK	Corporate and Investment Banking	Graduate
	Ayşe YENEL	Retail Banking	Undergraduate
	Burçin OZAN	Finance	Undergraduate
	Rüçhan ÇANDAR	Technology and Services	Graduate
	Funda TEMOÇİN AYDOĞAN	Human Resources	Undergraduate
	İbrahim Namık AKSEL	Treasury and Capital Markets	Graduate
	Fatoş Pınar FADILLIOĞLU ^(**)	Head of the Corporate Communications	Undergraduate
	Tolga TÜZÜNER ^(**)	Legal Affairs Manager	Graduate
Audit Committee:	Robert Adrian UNDERWOOD	Head of the Audit Committee	Graduate
	Neslihan ERKAZANCI	Member of the Audit Committee	Undergraduate

^(*) Georges EL HEDERY who resigned with the Board of Directors decision number 176 and dated 04.09.2019 as of the date of 01.09.2019. Martin François Christian TRICAUD who appointed with the Board of Directors decision number 177 and dated 09.09.2019 as of the date of 16.09.2019.

^(**) In accordance with Article 25/3 of the Banking Law No. 5411, Fatoş Pınar FADILLIOĞLU and Tolga TÜZÜNER appointed by the Board of Directors decision number 69 and dated 05.04.2019 as executive directors in positions equivalent to or higher than the deputy general manager.

The individuals mentioned above do not possess any share of the Bank.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. INFORMATION ON INDIVIDUALS OR INSTITUTIONS OWNING THE PREFERRED SHARES OF THE BANK

Name/Commercial Title	Share Amounts (Nominal) (*)	Share Percentages	Paid-in capital (Nominal) (*)	Unpaid Portion
HSBC Middle East Holdings B.V.	586.995.771	89,99%	586.995.771	-
HSBC Bank Middle East Limited	65.294.226	10,01%	65.294.226	-

(*) The amounts are expressed in "full TL".

V. SUMMARY INFORMATION ON THE BANK'S ACTIVITIES AND SERVICES

The Bank's activities in accordance with related regulations and the articles of association of the Bank summarized are as follows;

- To accept all kinds of deposits both in Turkish Lira and in foreign currency,
- To provide funds in Turkish Lira and foreign exchange, for own use or as an intermediary,
- To launch cash and non-cash loans,
- To perform discount and purchase activities,
- To perform order transmissions brokerage, transactions brokerage, portfolios brokerage, restricted custody and general custody activities in accordance with Capital Markets regulations,
- To perform factoring activities,
- To perform payment services.

In addition to regular banking operations in accordance to the articles of association, the Bank also provides insurance intermediary services as an agency of Axa Sigorta, Zurich Sigorta, Allianz Hayat ve Emeklilik, Allianz Sigorta, Gulf Sigorta, Euler Hermes and Anadolu Hayat Emeklilik, and JLT Sigorta ve Brokerlik through its branches and investment intermediary services, also undertaking the role of steering customers for portfolio sharing as an agent for transmitting orders of HSBC Yatırım.

As of 30 September 2019, the Bank has 80 branches dispersed throughout the country (31 December 2018: 82 branches).

As of 30 September 2019, the number of employees of the Bank is 2.073 (31 December 2018: 2.205).

VI. OTHER MATTERS

Unless otherwise stated, the financial statements and explanations and notes regarding the financial statements have been prepared in thousands of Turkish Lira.

VII. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT INSTITUTIONS SUBJECT TO FULL CONSOLIDATION METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, the non-financial associates, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. are not consolidated in the consolidated financial statements prepared in accordance with TAS based on line-by-line method. The Bank's subsidiary HSBC Yatırım ve Menkul Değerler A.Ş. is included in the scope of consolidation by line-by-line method.

VIII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDERS' EQUITY BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES OR REIMBURSEMENT OF LIABILITIES

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet**
- II. Statement of Off - Balance Sheet**
- III. Statement of Profit or Loss**
- IV. Statement of Profit or Loss and Other Comprehensive Income**
- V. Statement of Changes in Shareholders’ Equity**
- VI. Statement of Cash Flows**

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2019
(STATEMENT OF FINANCIAL POSITION)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	Note (Section Five I)	Reviewed Current Period (30.09.2019)		
		TL	FC ¹	Total
ASSETS				
I. FINANCIAL ASSETS (NET)		8.309.646	7.682.185	15.991.831
1.1 Cash and Cash Equivalents		6.618.512	6.386.907	13.005.419
1.1.1 Cash and Balances with Central Bank	(I-a)	576.309	2.179.298	2.755.607
1.1.2 Banks	(I-c)	-	549.519	549.519
1.1.3 Money Market Placements		6.042.693	3.658.090	9.700.783
1.1.4 Expected Loss Provision (-)		490	-	490
1.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	242.324	100.856	343.180
1.2.1 Government Debt Securities		238.099	79.174	317.273
1.2.2 Equity Instruments		4.225	21.682	25.907
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-d)	995.756	-	995.756
1.3.1 Government Debt Securities		995.756	-	995.756
1.3.2 Equity Instruments		-	-	-
1.3.3 Other Financial Assets		-	-	-
1.4 Derivative Financial Assets	(I-b)	453.054	1.194.422	1.647.476
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		453.054	1.194.422	1.647.476
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)	(I-e)	8.779.049	6.862.051	15.641.100
2.1 Loans		10.191.778	6.862.051	17.053.829
2.2 Lease Receivables	(I-j)	-	-	-
2.3 Factoring Receivables		160.982	-	160.982
2.4 Other Financial Assets Measured at Amortized Cost	(I-f)	-	-	-
2.4.1 Government Debt Securities		-	-	-
2.4.2 Other Financial Assets		-	-	-
2.5 Expected Credit Losses (-)		1.573.711	-	1.573.711
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(I-p)	2.200	-	2.200
3.1 Held for Sale Purpose		2.200	-	2.200
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		34.973	-	34.973
4.1 Investments in Associates (Net)	(I-g)	-	-	-
4.1.1 Accounted Under Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Subsidiaries (Net)	(I-h)	34.973	-	34.973
4.2.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753
4.2.2 Unconsolidated Non-Financial Subsidiaries		220	-	220
4.3 Entities under Common Control (Joint Venture) (Net)	(I-i)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. TANGIBLE ASSETS (Net)	(I-l)	238.561	-	238.561
VI. INTANGIBLE ASSETS (Net)	(I-m)	152.424	-	152.424
6.1 Goodwill		-	-	-
6.2 Other		152.424	-	152.424
VII. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-
VIII. CURRENT TAX ASSET		-	-	-
IX. DEFERRED TAX ASSET	(I-o)	218.448	-	218.448
X. OTHER ASSETS	(I-r)	125.978	663.645	789.623
TOTAL ASSETS		17.861.279	15.207.881	33.069.160

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018
(STATEMENT OF FINANCIAL POSITION)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. BALANCE SHEET	Note (Section Five I)	Audited Prior Period (31.12.2018)		
		TL	FC	Total
		ASSETS		
I. FINANCIAL ASSETS (NET)		3.258.212	12.787.553	16.045.765
1.1 Cash and Cash Equivalents		2.711.156	11.791.671	14.502.827
1.1.1 Cash and Balances with Central Bank	(I-a)	2.340.898	3.724.557	6.065.455
1.1.2 Banks	(I-c)	-	21.885	21.885
1.1.3 Money Markets		370.258	8.045.229	8.415.487
1.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	5.744	24.938	30.682
1.2.1 Government Debt Securities		1.519	10.282	11.801
1.2.2 Equity Instruments		4.225	14.656	18.881
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-d)	511.129	-	511.129
1.3.1 Government Debt Securities		511.129	-	511.129
1.3.2 Equity Instruments		-	-	-
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortized Cost	(I-f)	-	-	-
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(I-b)	30.183	970.944	1.001.127
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		30.183	970.944	1.001.127
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-
II. LOANS (Net)	(I-e)	9.851.850	5.834.658	15.686.508
2.1 Loans		9.607.825	5.695.262	15.303.087
2.1.1 Loans Measured at Amortized Cost		9.607.825	5.695.262	15.303.087
2.1.2 Loans at Fair Value Through Profit or Loss		-	-	-
2.1.3 Loans at Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(I-j)	-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		52.886	139.396	192.282
2.3.1 Measured at Amortized Cost		52.886	139.396	192.282
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		881.838	-	881.838
2.5 Specific Provisions (-)		690.699	-	690.699
III. NON-CURRENT ASSETS OR DISPOSAL GROUPS “HELD FOR SALE”AND “HELD FROM DISCONTINUED OPERATIONS” (Net)	(I-p)	1.369	-	1.369
3.1 Held for Sale Purpose		1.369	-	1.369
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		34.973	-	34.973
4.1 Investments in Associates (Net)	(I-g)	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Investment in Subsidiaries (Net)	(I-h)	34.973	-	34.973
4.2.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753
4.2.2 Unconsolidated Non-Financial Subsidiaries		220	-	220
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	(I-i)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(I-l)	100.411	-	100.411
VI. INTANGIBLE ASSETS (Net)	(I-m)	150.911	-	150.911
6.1 Goodwill		-	-	-
6.2 Other		150.911	-	150.911
VII. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-
VIII. CURRENT TAX ASSET		10.103	-	10.103
IX. DEFERRED TAX ASSET	(I-o)	137.491	-	137.491
X. OTHER ASSETS	(I-r)	136.094	507.714	643.808
TOTAL ASSETS		13.681.414	19.129.925	32.811.339

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2019
(STATEMENT OF FINANCIAL POSITION)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. BALANCE SHEET	Note (Section Five II)	Reviewed Current Period (30.09.2019)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	(II-a)	7.496.168	17.828.606	25.324.774
II. FUNDS BORROWED	(II-d)	719.754	5.507	725.261
III. MONEY MARKET BALANCES	(II-c)	-	-	-
IV. MARKETABLE SECURITIES ISSUED (Net)		-	-	-
4.1 Bills		-	-	-
4.2 Assets Backed Securities		-	-	-
4.3 Bonds		-	-	-
V. BORROWER FUNDS		-	-	-
5.1 Borrower Funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(II-b)	455.398	1.173.578	1.628.976
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		455.398	1.173.578	1.628.976
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES	(II-f)	123.593	11.436	135.029
X. PROVISIONS	(II-h)	167.409	1.523	168.932
10.1 Restructuring Provisions		4.554	-	4.554
10.2 Reverse for Employee Benefits		66.863	-	66.863
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		95.992	1.523	97.515
XI. CURRENT TAX LIABILITY	(II-i)	77.586	-	77.586
XII. DEFERRED TAX LIABILITY	(II-i)	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(II-j)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(II-k)	-	1.246.318	1.246.318
14.1 Loans		-	1.246.318	1.246.318
14.2 Other Debt Instruments		-	-	-
XV. OTHER LIABILITIES	(II-e)	523.497	193.007	716.504
XVI. SHAREHOLDERS' EQUITY	(II-l)	3.045.780	-	3.045.780
16.1 Paid-in capital		652.290	-	652.290
16.2 Capital Reserves		272.693	-	272.693
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		272.693	-	272.693
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(27.755)	-	(27.755)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		9.717	-	9.717
16.5 Profit Reserves		1.682.765	-	1.682.765
16.5.1 Legal Reserves		184.141	-	184.141
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		1.498.624	-	1.498.624
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit Or Loss		456.070	-	456.070
16.6.1 Prior Years' Profit/Loss		-	-	-
16.6.2 Current Year Profit/Loss		456.070	-	456.070
16.7 Minority Interest		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12.609.185	20.459.975	33.069.160

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2018
(STATEMENT OF FINANCIAL POSITION)**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. BALANCE SHEET	Note (Section Five II)	Audited Prior Period (31.12.2018)		
		TL	FC	Total
		LIABILITIES		
I. DEPOSITS	(II-a)	7.536.135	17.350.786	24.886.921
II. FUNDS BORROWED	(II-d)	1.200.041	37.960	1.238.001
III. MONEY MARKETS	(II-c)	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-
4.1 Bills		-	-	-
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
V. FUNDS		-	-	-
5.1 Borrower Funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(II-b)	25.921	915.173	941.094
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		25.921	915.173	941.094
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES	(II-f)	-	-	-
9.1 Financial Lease Payables		-	-	-
9.2 Operational Lease Payables		-	-	-
9.3 Other		-	-	-
9.4 Deferred Finance Lease Expenses (-)		-	-	-
X. PROVISIONS	(II-h)	408.533	191.627	600.160
10.1 General Loan Loss Provisions		214.376	190.384	404.760
10.2 Provision for Restructuring		49.459	-	49.459
10.3 Reserves for Employee Benefits		63.428	-	63.428
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		81.270	1.243	82.513
XI. CURRENT TAX LIABILITY	(II-i)	54.802	-	54.802
XII. DEFERRED TAX LIABILITY	(II-i)	-	-	-
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS “HELD FOR SALE” AND “HELD FROM DISCONTINUED OPERATIONS”(Net)	(II-j)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT	(II-k)	-	1.545.585	1.545.585
14.1 Loans		-	1.545.585	1.545.585
14.2 Other Debt Instruments		-	-	-
XV. OTHER LIABILITIES	(II-e)	583.935	27.254	611.189
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.933.587	-	2.933.587
16.1 Paid-in Capital		652.290	-	652.290
16.2 Capital Reserves		272.693	-	272.693
16.2.1 Equity Share Premiums		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		272.693	-	272.693
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(28.096)	-	(28.096)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(43.708)	-	(43.708)
16.5 Profit Reserves		1.744.824	-	1.744.824
16.5.1 Legal Reserves		184.141	-	184.141
16.5.2 Statutory Reserves		-	-	-
16.5.3 Extraordinary Reserves		1.560.683	-	1.560.683
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or (Loss)		335.584	-	335.584
16.6.1 Prior Periods' Profit/(Loss)		-	-	-
16.6.2 Current Period Profit/(Loss)		335.584	-	335.584
16.7 Minority Interest		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12.742.954	20.068.385	32.811.339

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 30 SEPTEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed Current Period (30.09.2019)		
		TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		42.593.687	93.682.869	136.276.556
I. GUARANTEES AND COLLATERALS	(III-a-2,3)	1.052.636	3.040.206	4.092.842
1.1 Letters of Guarantee		1.029.429	1.473.216	2.502.645
1.1.1 Guarantees Subject to State Tender Law		-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-
1.1.3 Other Letters of Guarantee		1.029.429	1.473.216	2.502.645
1.2 Bank Acceptances		-	368.582	368.582
1.2.1 Import Letter of Acceptance		-	368.582	368.582
1.2.2 Other Bank Acceptance		-	-	-
1.3 Letters of Credit		23.207	835.688	858.895
1.3.1 Documentary Letters of Credit		23.207	578.585	601.792
1.3.2 Other Letters of Credit		-	257.103	257.103
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-
1.7 Factoring Guarantees		-	362.720	362.720
1.8 Other Guarantees		-	-	-
1.9 Other Collaterals		-	-	-
II. COMMITMENTS	(III-a-1)	8.178.648	5.780.263	13.958.911
2.1 Irrevocable Commitments		8.178.648	5.780.263	13.958.911
2.1.1 Forward Asset Purchase and Sale Commitments		3.901.197	5.779.751	9.680.948
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4 Loan Granting Commitments		524.030	-	524.030
2.1.5 Securities Underwriting Commitments		-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-
2.1.7 Payment Commitment for Checks		19.355	-	19.355
2.1.8 Tax and Fund Liabilities from Export Commitments		2.286	-	2.286
2.1.9 Commitments for Credit Card Expenditure Limits		3.182.661	-	3.182.661
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		13.909	-	13.909
2.1.11 Receivables from Short Sale Commitments		-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-
2.1.13 Other Irrevocable Commitments		535.210	512	535.722
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	33.362.403	84.862.400	118.224.803
3.1 Derivative Financial Instruments for Hedging Purposes		-	-	-
3.1.1 Fair Value Hedge		-	-	-
3.1.2 Cash Flow Hedge		-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-
3.2 Held for Trading Transactions		33.362.403	84.862.400	118.224.803
3.2.1 Forward Foreign Currency Buy/Sell Transactions		4.637.519	9.003.831	13.641.350
3.2.1.1 Forward Foreign Currency Transactions-Buy		3.595.300	3.316.677	6.911.977
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.042.219	5.687.154	6.729.373
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		16.399.334	64.311.162	80.710.496
3.2.2.1 Foreign Currency Swap-Buy		3.467.841	25.251.095	28.718.936
3.2.2.2 Foreign Currency Swap-Sell		12.931.493	16.633.033	29.564.526
3.2.2.3 Interest Rate Swap-Buy		-	11.213.517	11.213.517
3.2.2.4 Interest Rate Swap-Sell		-	11.213.517	11.213.517
3.2.3 Foreign Currency, Interest Rate, and Securities Options		12.325.548	10.869.698	23.195.246
3.2.3.1 Foreign Currency Options-Buy		6.162.774	5.434.849	11.597.623
3.2.3.2 Foreign Currency Options-Sell		6.162.774	5.434.849	11.597.623
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		2	677.709	677.711
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		140.027.097	30.878.957	170.906.054
IV. ITEMS HELD IN CUSTODY		72.460.837	6.810.334	79.271.171
4.1 Customers' Securities Held		-	-	-
4.2 Investment Securities Held in Custody		70.941.697	3.748.576	74.690.273
4.3 Checks Received for Collection		14.029	64.976	79.005
4.4 Commercial Notes Received for Collection		144.999	45.258	190.257
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		1.360.112	2.951.524	4.311.636
4.8 Custodians		-	-	-
V. PLEDGES ITEMS		66.050.581	15.794.449	81.845.030
5.1 Marketable Securities		51.931	819.033	870.964
5.2 Guarantee Notes		35.114	282.425	317.539
5.3 Commodity		478.100	672.859	1.150.959
5.4 Warranty		-	-	-
5.5 Real Estate		3.898.886	6.775.696	10.674.582
5.6 Other Pledged Items		61.586.550	7.244.436	68.830.986
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS		1.515.679	8.274.174	9.789.853
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		182.620.784	124.561.826	307.182.610

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2018**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Audited Prior Period (31.12.2018)		
		TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		23.566.255	69.331.722	92.897.977
I. GUARANTEES AND WARRANTIES	(III-a-2,3)	1.012.483	2.645.782	3.658.265
1.1 Letters of Guarantee		1.004.483	839.254	1.843.737
1.1.1 Guarantees Subject to State Tender Law		-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-
1.1.3 Other Letters of Guarantee		1.004.483	839.254	1.843.737
1.2 Bank Acceptances		-	203.137	203.137
1.2.1 Import Letter of Acceptance		-	203.137	203.137
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		8.000	1.248.433	1.256.433
1.3.1 Documentary Letters of Credit		8.000	1.084.585	1.092.585
1.3.2 Other Letters of Credit		-	163.848	163.848
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		-	354.958	354.958
1.9 Other Collaterals		-	-	-
II. COMMITMENTS	(III-a-1)	5.503.976	2.060.592	7.564.568
2.1 Irrevocable Commitments		5.503.976	2.060.592	7.564.568
2.1.1 Asset Purchase and Sale Commitments		1.095.069	1.563.472	2.658.541
2.1.2 Forward Deposit Purchase and Sales Commitments		-	496.641	496.641
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4 Loan Granting Commitments		408.147	-	408.147
2.1.5 Securities Issue Brokerage Commitments		-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-
2.1.7 Commitments for Cheque Payments		21.519	-	21.519
2.1.8 Tax and Fund Liabilities from Export Commitments		2.286	-	2.286
2.1.9 Commitments for Credit Card Limits		3.398.789	-	3.398.789
2.1.10 Commitments for Credit Cards and Banking Services Promotions		12.995	-	12.995
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		565.171	479	565.650
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	17.049.796	64.625.348	81.675.144
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 Transactions		17.049.796	64.625.348	81.675.144
3.2.1 Forward Foreign Currency Buy/Sell Transactions		5.165.979	5.866.996	11.032.975
3.2.1.1 Forward Foreign Currency Transactions-Buy		4.273.312	1.520.565	5.793.877
3.2.1.2 Forward Foreign Currency Transactions-Sell		892.667	4.346.431	5.239.098
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		7.947.553	52.833.198	60.780.751
3.2.2.1 Foreign Currency Swap-Buy		2.129.310	15.417.132	17.546.442
3.2.2.2 Foreign Currency Swap-Sell		5.818.243	12.142.832	17.961.075
3.2.2.3 Interest Rate Swap-Buy		-	12.636.617	12.636.617
3.2.2.4 Interest Rate Swap-Sell		-	12.636.617	12.636.617
3.2.3 Foreign Currency, Interest rate and Securities Options		3.936.264	5.881.126	9.817.390
3.2.3.1 Foreign Currency Options-Buy		1.968.132	2.940.563	4.908.695
3.2.3.2 Foreign Currency Options-Sell		1.968.132	2.940.563	4.908.695
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		-	44.028	44.028
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		56.658.971	30.590.524	87.249.495
IV. ITEMS HELD IN CUSTODY		47.592.245	10.131.365	57.723.610
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		46.030.483	7.567.772	53.598.255
4.3 Checks Received for Collection		6.235	93.238	99.473
4.4 Commercial Notes Received for Collection		155.033	62.368	217.401
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		1.400.494	2.407.987	3.808.481
4.8 Custodians		-	-	-
V. PLEDGES RECEIVED		7.961.235	13.712.633	21.673.868
5.1 Marketable Securities		51.931	766.825	818.756
5.2 Guarantee Notes		93.158	317.422	410.580
5.3 Commodity		486.960	660.003	1.146.963
5.4 Warranty		-	-	-
5.5 Immovable Properties		4.292.439	4.757.428	9.049.867
5.6 Other Pledged Items		3.036.747	7.210.955	10.247.702
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		1.105.491	6.746.526	7.852.017
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		80.225.226	99.922.246	180.147.472

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD
ENDED 30 SEPTEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. STATEMENT OF PROFIT OR LOSS		Reviewed		
		Note (Section Five IV)	Current Period (01.01.2019 – 30.09.2019)	Current Period (01.07.2019 – 30.09.2019)
INCOME AND EXPENSE ITEMS				
I.	INTEREST INCOME	(IV-a)	2.562.599	803.690
1.1	Interest Income on Loans	(IV-a-1)	1.785.884	537.842
1.2	Interest Received from Reserve Requirements		38.871	10.862
1.3	Interest Received from Banks	(IV-a-2)	139.754	19.032
1.4	Interest Received from Money Market Transactions		488.150	188.955
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	105.502	45.026
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		42.562	15.628
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		62.940	29.398
1.5.3	Financial Assets at Measured at Amortized Cost		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		4.438	1.973
II.	INTEREST EXPENSE (-)	(IV-b)	1.449.743	459.737
2.1	Interest Expense on Deposits	(IV-b-4)	1.204.737	385.985
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	214.716	67.557
2.3	Interest Expense on Money Market Transactions		10.668	1.845
2.4	Interest on Securities Issued	(IV-b-3)	-	-
2.5	Interest Expense on Lease		16.111	4.247
2.6	Other Interest Expenses		3.511	103
III.	NET INTEREST INCOME/EXPENSE (I - II)		1.112.856	343.953
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		306.118	100.366
4.1	Fees and Commissions Received		336.762	110.520
4.1.1	Non-Cash Loans		48.877	16.875
4.1.2	Other	(IV-l)	287.885	93.645
4.2	Fees and Commissions Paid (-)		30.644	10.154
4.2.1	Non-Cash Loans		493	173
4.2.2	Other		30.151	9.981
V.	DIVIDEND INCOME	(IV-c)	31.499	6
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	(53.019)	(44.408)
6.1	Trading Gains/(Losses) on Securities		49.558	31.466
6.2	Derivative Financial Transactions Gains/(Losses)		(107.260)	(144.890)
6.3	Foreign Exchange Gains/(Losses)		4.683	69.016
VII.	OTHER OPERATING INCOME	(IV-e)	225.518	83.785
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.622.972	483.702
IX.	PROVISION FOR LOAN LOSSES (-)	(IV-f)	180.014	14.910
X.	OTHER PROVISION EXPENSES (-)		12.660	5.392
XI.	PERSONNEL EXPENSES (-)		356.682	118.499
XII.	OTHER OPERATING EXPENSES (-)	(IV-g)	492.927	146.279
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		580.689	198.622
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XVI.	INCOME/ (LOSS) ON NET MONETARY POSITION		-	-
XVII.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)		-	-
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-i)	580.689	198.622
18.1	Current Tax Provision		(124.619)	(46.976)
18.2	Deferred Tax Income Effect (+)		(97.154)	(31.565)
18.3	Deferred Tax Expense Effect (-)		(27.465)	(15.411)
XIX.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)	(IV-j)	-	-
XX.	INCOME FROM DISCONTINUED OPERATIONS		456.070	151.646
20.1	Income from Non-Current Assets Held for Resale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
20.3	Other Income From Discontinued Operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses for Non-Current Assets Held for Resale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
21.3	Other Expenses From Discontinued Operations		-	-
XXII.	PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Income Effect (+)		-	-
23.3	Deferred Tax Expense Effect (-)		-	-
XXIV.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSSES (XIX+XXIV)	(IV-k)	456.070	151.646
	Earnings/Loss per Share		0,006992	0,002325

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD
ENDED 30 SEPTEMBER 2018**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. STATEMENT OF PROFIT OR LOSS		Reviewed		
		Note (Section Five IV)	Prior Period (01.01.2018 – 30.09.2018)	Prior Period (01.07.2018 – 30.09.2018)
INCOME AND EXPENSE ITEMS				
I. INTEREST INCOME	(IV-a)	2.123.022	769.639	
1.1 Interest Income on Loans	(IV-a-1)	1.568.906	656.771	
1.2 Interest Received from Reserve Requirements		27.248	11.911	
1.3 Interest Received from Banks	(IV-a-2)	379.950	43.562	
1.4 Interest Received from Money Market Transactions		71.407	35.337	
1.5 Interest Received from Marketable Securities Portfolio	(IV-a-3)	74.075	22.035	
1.5.1 Financial Assets at Fair Value through Profit or (Loss)		7.078	3.910	
1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income		66.997	18.125	
1.5.3 Financial Assets at Measured at Amortized Cost		-	-	
1.6 Financial Lease Income		-	-	
1.7 Other Interest Income		1.436	23	
II. INTEREST EXPENSE (-)	(IV-b)	930.305	421.617	
2.1 Interest Expense on Deposits	(IV-b-4)	694.913	321.290	
2.2 Interest Expense on Funds Borrowed	(IV-b-1)	196.488	75.835	
2.3 Interest Expense on Money Market Transactions		28.205	21.450	
2.4 Interest on Securities Issued	(IV-b-3)	-	-	
2.5 Other Interest Expenses		10.699	3.042	
III. NET INTEREST INCOME/EXPENSE (I - II)		1.192.717	348.022	
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		262.871	89.183	
4.1 Fees and Commissions Received		292.576	99.463	
4.1.1 Non-Cash Loans		24.683	11.405	
4.1.2 Other	(IV-l)	267.893	88.058	
4.2 Fees and Commissions Paid (-)		29.705	10.280	
4.2.1 Non-Cash Loans		515	165	
4.2.2 Other		29.190	10.115	
V. PERSONNEL EXPENSES (-)	(IV-g)	311.982	97.711	
VI. DIVIDEND INCOME	(IV-c)	20.730	-	
VII. TRADING INCOME/(LOSS) (Net)	(IV-d)	(361.541)	(3.318)	
7.1 Trading Gains/(Losses) on Securities		10.736	2.040	
7.2 Derivative Financial Transactions Gains/(Losses)		2.165.660	1.012.960	
7.3 Foreign Exchange Gains/(Losses)		(2.537.937)	(1.018.318)	
VIII. OTHER OPERATING INCOME	(IV-e)	177.366	6.697	
IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)		980.161	342.873	
X. PROVISION FOR LOAN LOSSES (-)	(IV-f)	229.185	83.875	
XI. OTHER OPERATING EXPENSES (-)	(IV-g)	428.423	150.293	
XII. NET OPERATING INCOME/(LOSS) (IX-X-XI)		322.553	108.705	
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-	
XV. INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)		322.553	108.705	
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-i)	(77.516)	(31.609)	
17.1 Current Tax Provision		(18.632)	(8.608)	
17.2 Deferred Tax Income Effect (+)		(58.884)	(23.001)	
17.3 Deferred Tax Expense Effect (-)		-	-	
XVIII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVI±XVII)	(IV-j)	245.037	77.096	
XIX. INCOME FROM DISCONTINUED OPERATIONS		-	-	
19.1 Income from Non-Current Assets Held for Resale		-	-	
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	
19.3 Other Income From Discontinued Operations		-	-	
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	
20.1 Expenses for Non-Current Assets Held for Resale		-	-	
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	
20.3 Other Expenses From Discontinued Operations		-	-	
PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XIX-XX)		-	-	
XXII. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-	
22.1 Current Tax Provision		-	-	
22.2 Deferred Tax Income Effect (+)		-	-	
22.3 Deferred Tax Expense Effect (-)		-	-	
XXIII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-	
XXIV. NET PROFIT/LOSSES (XVIII+XXIII)	(IV-k)	245.037	77.096	
Earnings/Loss per Share		0,003757	0,001182	

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by IFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED **hın****

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed Current Period (30.09.2019)
I. CURRENT PERIOD INCOME/LOSS		456.070
II. OTHER COMPREHENSIVE INCOME		53.766
2.1 Not Reclassified Through Profit or Loss		341
2.1.1 Property and Equipment Revaluation Increase/Decrease		-
2.1.2 Intangible Assets Revaluation Increase/Decrease		-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss		430
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss		-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss		(89)
2.2 Reclassified Through Profit or Loss		53.425
2.2.1 Foreign Currency Translation Differences		-
Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through		69.010
2.2.2 Other Comprehensive Income		-
2.2.3 Cash Flow Hedge Income/Loss		(1.987)
2.2.4 Foreign Net Investment Hedge Income/Loss		-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses		-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss		(13.598)
III. TOTAL COMPREHENSIVE INCOME (I+II)		509.836

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed Prior Period (30.09.2018)
I. CURRENT PERIOD INCOME/LOSS		245.037
II. OTHER COMPREHENSIVE INCOME		(65.391)
2.1 Not Reclassified Through Profit or Loss		4.269
2.1.1 Property and Equipment Revaluation Increase/Decrease		-
2.1.2 Intangible Assets Revaluation Increase/Decrease		-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss		5.384
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss		-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss		(1.115)
2.2 Reclassified Through Profit or Loss		(69.660)
2.2.1 Foreign Currency Translation Differences		-
Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through		(86.641)
2.2.2 Other Comprehensive Income		(2.117)
2.2.3 Cash Flow Hedge Income/Loss		-
2.2.4 Foreign Net Investment Hedge Income/Loss		-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses		-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss		19.098
III. TOTAL COMPREHENSIVE INCOME (I+II)		179.646

Note: The prior period unconsolidated financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 31 December 2018 and 30 September 2019 unconsolidated financial statements are prepared on different principles, 2018 financial statements are presented separately.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.1**

HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed Prior Period 30 September 2018	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity
					1	2	3	4	5	6				
I. Balances at the Beginning of the Period - 31 December 2017	652.290	-	-	272.693	-	(30.511)	-	-	(17.899)	4.592	1.375.178	-	308.737	2.565.080
II. Corrections According to TAS 8	-	-	-	-	-	-	-	-	(4.723)	-	-	90.909	-	86.186
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	(4.723)	-	-	90.909	-	86.186
III. Adjusted Beginning Balance (I+II)	652.290	-	-	272.693	-	(30.511)	-	-	(22.622)	4.592	1.375.178	90.909	308.737	2.651.266
IV. Total Comprehensive Income	-	-	-	-	-	4.269	-	-	(68.009)	(1.651)	-	-	245.037	179.646
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	369.646	(90.909)	(308.737)	(30.000)
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	(30.000)	-	-	(30.000)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	399.646	(90.909)	(308.737)	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)	652.290	-	-	272.693	-	(26.242)	-	-	(90.631)	2.941	1.744.824	-	245.037	2.800.912

1. Increase/Decrease of Accumulated Revaluation Reserve on Tangible,
2. Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans,
3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Not Be Reclassified at Profit and Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Not Be Reclassified at Profit or Loss,
4. Exchange Differences on Translation Reserve,
5. Accumulated Revaluation and/or Classification Gains / (Losses) of Financial Assets at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gains/Losses, Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Be Reclassified at Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Be Reclassified at Profit or Loss).

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																
Reviewed Current Period 30 September 2019	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Total Equity
						1	2	3	4	5	6					
I. Balances at the Beginning of the Period - 31 December 2018		652.290	-	-	272.693	-	(28.096)	-	-	(46.092)	2.384	1.744.824	-	335.584	2.933.587	2.933.587
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	(397.643)	-	(397.643)	(397.643)
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	(397.643)	-	(397.643)	(397.643)
III. Adjusted Beginning Balance (I+II)		652.290	-	-	272.693	-	(28.096)	-	-	(46.092)	2.384	1.744.824	(397.643)	335.584	2.535.944	2.535.944
IV. Total Comprehensive Income		-	-	-	-	-	341	-	-	54.975	(1.550)	-	-	456.070	509.836	509.836
V. Capital Increase by Cash	(V-a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	(62.059)	397.643	(335.584)	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	(62.059)	397.643	(335.584)	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		652.290	-	-	272.693	-	(27.755)	-	-	8.883	834	1.682.765	-	456.070	3.045.780	3.045.780

- Increase/Decrease of Accumulated Revaluation Reserve on Tangible,
- Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans,
- Other (Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Not Be Reclassified at Profit and Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Not Be Reclassified at Profit or Loss),
- Exchange Differences on Translation Reserve,
- Accumulated Revaluation and/or Classification Gains/(Losses) of Financial Assets at Fair Value Through Other Comprehensive Income,
- Other (Cash Flow Hedge Gains/Losses, Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Be Reclassified at Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Be Reclassified at Profit or Loss).

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements

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HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. STATEMENT OF CASH FLOWS	Note (Section Five VI)	Reviewed Current Period (30.09.2019)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(VI-a)	1.144.234
1.1.1 Interest Received	(VI-a)	2.654.777
1.1.2 Interest Paid	(VI-a)	(1.429.633)
1.1.3 Dividend Received		31.499
1.1.4 Fees and Commissions Received		325.839
1.1.5 Other Income		225.518
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		88.729
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(358.981)
1.1.8 Taxes Paid		(100.961)
1.1.9 Other		(292.553)
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations		(1.681.953)
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(306.686)
1.2.2 Net Decrease in Due From Banks		(508.211)
1.2.3 Net (Increase) in Loans		(1.035.007)
1.2.4 Net (Increase) in Other Assets		(350.085)
1.2.5 Net Increase in Bank Deposits		(1.750.685)
1.2.6 Net Increase/(Decrease) in Other Deposits		2.207.013
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net (Decrease) in Funds Borrowed		65.459
1.2.9 Net Increase/(Decrease) in Matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(VI-a)	(3.751)
I. Net Cash Provided From Banking Operations		(537.719)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided From Investing Activities		(505.191)
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		(2.280)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		-
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(541.076)
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		59.426
2.7 Cash Paid for Purchase of Financial Assets at Amortized Cost		-
2.8 Cash Obtained From Sale of Financial Assets at Amortized Cost		-
2.9 Other		(21.261)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided From Financing Activities		(950.178)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		(916.051)
3.3 Equity Instruments Issued		-
3.4 Dividends Paid		-
3.5 Payments for Finance Lease Liabilities		(34.127)
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(VI-a)	(12.557)
V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		(2.005.645)
VI. Cash and Cash Equivalents at Beginning of the Period	(VI-d)	13.193.713
VII. Cash and Cash Equivalents at End of the Period	(VI-d)	11.188.068

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

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UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
ENDED 30 SEPTEMBER 2018**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. STATEMENT OF CASH FLOWS	Note (Section Five VI)	Reviewed Prior Period (30.09.2018)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(VI-a)	(611.806)
1.1.1 Interest Received	(VI-a)	1.924.919
1.1.2 Interest Paid	(VI-a)	(900.689)
1.1.3 Dividend Received		20.730
1.1.4 Fees and Commissions Received		284.547
1.1.5 Other Income		177.366
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		145.961
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(344.503)
1.1.8 Taxes Paid		(77.516)
1.1.9 Other		(1.842.621)
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations		5.528.825
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(89.471)
1.2.2 Net Decrease in Due From Banks		-
1.2.3 Net (Increase) in Loans		(3.801.908)
1.2.4 Net (Increase) in Other Assets		(263.479)
1.2.5 Net Increase in Bank Deposits		(1.215.063)
1.2.6 Net Increase/(Decrease) in Other Deposits		8.901.021
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net (Decrease) in Funds Borrowed		(51.934)
1.2.9 Net Increase/(Decrease) in Matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(VI-a)	2.049.659
I. Net Cash Provided From Banking Operations		4.917.019
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided From Investing Activities		1.599.014
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		(22.095)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		3.352
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		771.925
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		855.265
2.7 Cash Paid for Purchase of Financial Assets at Amortized Cost		-
2.8 Cash Obtained From Sale of Financial Assets at Amortized Cost		-
2.9 Other		(9.433)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided From Financing Activities		(30.000)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		-
3.3 Equity Instruments Issued		-
3.4 Dividends Paid		(30.000)
3.5 Payments for Finance Lease Liabilities		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(VI-a)	(56.915)
V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		6.429.118
VI. Cash and Cash Equivalents at Beginning of the Period	(VI-d)	4.761.711
VII. Cash and Cash Equivalents at End of the Period	(VI-d)	11.190.829

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 18 to 96 form an integral part of these financial statements.

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks’ Accounting Application and Keeping Documents:

The Bank prepared the accompanying unconsolidated financial statements within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law 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 and Turkish Accounting Standards published by the Public Oversight Accounting for the format and detail 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”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué dated February 1, 2019 which include Turkish Accounting Standard principles.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments until 31 December 2004, except for the financial assets and liabilities, which are carried at fair value.

The preparation of the unconsolidated financial statements in conformity with TFRS requires the Bank Management to use of certain make assumptions and estimates on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are reviewed regularly and, when necessary, corrections are made and the effects of these corrections are reflected to the income statement. The estimations and projections used are explained in corresponding disclosures.

b. Accounting policies and valuation principles applied in the presentation of financial statements:

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, 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 are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2018 except for the application of calculation of loan allowance according to “TFRS 9 Financial Instruments” and application of “TFRS 16 Leases”.

The accounting policies and valuation principles related with current period are explained in Notes II to XXXII.

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I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

Changes in Accounting policies and disclosures

Explanations on TFRS 16 “Leases”:

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same.

Set out below are the new accounting policies of the Bank upon adoption of TFRS 16:

Right Of Use Assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right to use includes the presence of:

- The initial measurement of the lease,
- The amount obtained by deducting all lease payments received from all lease payments made on or on the date of actual lease, and
- All initial direct costs incurred by the Bank

At the end of the lease term of the underlying asset's service, the transfer of the Bank is reasonably finalized, and the Bank depreciates the asset until the end of the life of the underlying asset on which the lease actually began. Right-of-use assets are subject to impairment.

Lease Liabilities

The Bank measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences. Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

- Fixed payments,
- Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease.
- Amounts expected to be paid by the Bank under the residual value commitments
- The use price of this option and, if the Bank is reasonably confident that it will use the purchase option;
- Fines for termination of the lease if the lease term indicates that the Bank will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred. The Bank revises the revised discount rate for the remainder of the lease term, if the implicit interest rate in the lease can be easily determined; the Bank’s alternative borrowing interest rate at the date of the revaluation.

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I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

After the effective date of the lease, the Bank measures the lease obligation as follows:

- Increase the carrying amount to reflect the interest on the lease obligation; and
- Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

As of 30 September 2019, The Bank recognized right of use asset classified under tangible assets, lease liability, depreciation expense and interest expense amounting to TL 165.711, TL 135.029, TL 25.077 and TL 16.111, respectively due to application of TFRS 16.

Explanations on TFRS 9 “Financial Instruments”:

Explanations on TFRS 9 “Financial Instruments” are explained in Note XXVI.

Explanation for convenience translation into English:

The differences between accounting principles and standards set out by regulations inconformity with BRSA Accounting and Reporting Legislation, account principles, generally accepted in countries in which the complying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

The main sources of the Bank are customer deposits and borrowings from abroad. The Bank’s liquidity structure covers the financing of all liabilities at due date. This liquidity structure of the Bank has been established by diversifying fund resources and keeping sufficient cash and cash equivalences.

The Bank applies sophisticated methods of the group in daily market risk managing and control activities. In measuring the market risk and determining limits, “Value at Risk” (“VaR”) approach is being applied. For the portfolios which are subject to market risk; interest rate and currency risks are monitored; with regard to this, limits such as daily and monthly maximum loss limits regarding the exchange rate and share price risk, Value at Risk limits, maturity limits and quantity limits are being applied. The limit usages are being monitored through various checkpoints and reported to the top management. Risk monitoring and control activities are being performed by independent units. For the portfolios, which are subject to the interest risks, sensitivity of the changes in interest rates are being analyzed by “Present Value Basis Points” method (“PVBP”) and relevant limits are being determined.

Various stress scenarios, liquidity, gap, and volatility analysis have been performed regarding the control, monitor and management of the market risks. The purpose of these analyses is to be prepared for the possible risks and to make quick decisions regarding the targeted profitability.

Analyses that are conducted related to determined risks are being tracked by committees such as the Asset-Liability Committee and the Market Risk Committee and value adding decisions are made. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing. Gains and losses arising from such valuations are recognized in the income statement under the account of “Foreign exchange gains or losses”, except for foreign currency, non-performing loans and other foreign currency denominated non-monetary assets and liabilities.

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III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Bank has no investments in associates as of 30 September 2019. Investments in subsidiaries are accounted in accordance with the "Turkish Accounting Standard for Individual Financial Instruments" ("TAS 27") in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiary of the Bank is HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on 10 December 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide hospitality, catering and private waiting room.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

In order to reduce the foreign exchange position risk the Bank conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Bank conducts interest futures and forward interest rate agreements. The fair value differences of derivative instruments that are reflected in the profit and loss accounts are measured at fair value and associated with income statement during recognition. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Derivative Financial Assets at Fair Value Through Profit or Loss"; and if the fair value difference is negative, it is disclosed under "Derivative Financial Liabilities at Fair Value Through Profit or Loss". Differences arising from the valuation of fair value are reflected in the "Derivative Financial Transactions Gains/Losses" account under income.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. When applying the effective interest rate method, an entity identifies fees that are an integral part of the effective interest rate method of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss.

When applying the effective interest method, The Bank amortized any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements. If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

All fees and commission income are recognised on an accrual basis in accordance with the matching principle or "Effective Rate Method (Internal Rate of Return Method)" and according to the TFRS 15 "Revenue From Contracts With Customers", except for certain commission income for various banking services, which are recorded as income at the time of collection.

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VII. EXPLANATIONS ON FINANCIAL ASSETS

The Bank categorizes its financial assets as fair value through profit/loss, fair value through other comprehensive income or measured at amortized cost. Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 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.

The Bank recognize a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

Classification and measurement of financial instruments

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “Solely Payments of Principal and Interest” (“SPPI”).

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank consider:

- Contingent events that would change the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Features that modify consideration for the time value of money

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

a. Financial Assets at Fair Value Through Profit or Loss:

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed 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 in case of 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 measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

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

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset.

“Unrealized gains and losses” arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders’ equity as “Other accumulated comprehensive income that will be reclassified in profit or loss”, until the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

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 choose in an irrevocable was to record the changes of the fair value of the 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 taken into the financial statements as profit or loss.

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c. Financial Assets Measured in 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. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition, they are carried at "Amortized Cost" using the effective interest method. As of 30 September 2019 and 31 December 2018, the Bank has no marketable securities measured at amortized cost.

d. Loans:

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method".

Bank's loans are recorded under the "Measured at Amortized Cost" account.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES

The Bank recognizes a loss allowance for expected credit losses on financial assets measured in amortized cost and financial assets at fair value through other comprehensive income.

As of 1 January 2019, the Bank recognizes a loss allowance for expected credit losses based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" in accordance with TFRS 9. In this context, the loan provision calculation method which is set out in accordance with the relevant legislation of BRSA as explained in detail in the accounting policy numbered X-a as of 31 December 2018 changed by applying expected credit loss model with the implementation of 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 below depending on the increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment 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. Impairment 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, a lifetime expected credit loss is recorded.

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Calculation of expected credit losses

The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). The PD and LGD parameters used in calculating the expected credit loss are calculated as point in time PD (PIT), including both current and expected cycle changes.

While the expected credit loss is estimated, three scenarios (baseline scenario, adverse scenario, optimistic scenario) are evaluated. Each of these scenarios was associated with the different PD and LGD.

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When calculating the expected credit loss for financial instruments is performed individually by the specialist business unit, the probability of the credit loss is evaluated by taking into account the realisation of the credit loss. The assessments for different scenarios are weighted according to their probability of realization and the estimated credit loss is calculated.

Probability of Default (PD)

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs in modeling, factors such as segment information, systematic and non-systematic information are taken into consideration.

It is used internal rating systems for commercial and institutional portfolio to measure risk level. The internal rating models used for the commercial and corporate portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; the behavioral data of the customer and the product in the Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. In the retail portfolio, a structure was constructed on the segment based structure and the distribution of the customers among the predetermined segments. Segments are formed by product-specific variables and product based. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD)

The LGD represents an estimate of the loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Exposure at Default (EAD):

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios. While the expected credit loss is estimated, three scenarios (baseline scenario, bad scenario, optimistic scenario) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

Consideration of the Macroeconomic Factors

Probability of default parameters are determined by considering macroeconomic factors. The macroeconomic variables used in the calculation of the expected loss are as follows:

- Annual percentage change of Gross Domestic Product (GDP) in USD
- Annual percentage change in revenue growth rate
- Annual change in export amount
- Annual percentage change in USD/TRY
- Unemployment rate
- Inflation rate
- Industrial production index

Stages were determined through the models created using internal information for the Bank simplified method has been applied for other financial institutions.

Calculating the Expected Loss Period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier. But due to segment-based approach to retail loans the maturity of the 95 percentile is calculated as the credit life.

Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Bank considers the absolute thresholds as well as the relative thresholds as an additional layer. Receivables below the absolute threshold value of default are not included in the relative threshold value comparison.

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watch-list
- When there is a change in the payment plan due to restructuring
- Receivables with a negative probability above the predetermined threshold values between the probability of default at the date of release and the probability of default at the reporting date

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IX. DERECOGNITION OF FINANCIAL INSTRUMENTS

a) Derecognition of financial assets due to change in contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a ‘new’ financial asset. When the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss. Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

b) Derecognition of financial assets without any change in contractual terms

The Bank derecognizes the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

c) Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

d) Reclassification of financial instruments

Based on TFRS 9, it shall be reclassified all affected financial assets at amortized cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

e) Restructuring and refinancing of financial instruments

The bank may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

The restructuring is the modification of the loan contract terms of the borrower or the partial or complete refinancing of the loan due to financial difficulties that the borrower may encounter or will likely encounter in the payments.

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IX. DERECOGNITION OF FINANCIAL INSTRUMENTS (Continued)

To reclassify the restructured corporate and commercial loans as performing loans from non-performing loans, the following conditions must be met:

- All of the overdue payments that cause the loan to be classified in the non-performing loans have been collected without using the collaterals.
- There is no delayed payment of the receivable as of the reclassification date and the last two payments before this date are due and complete.
- Ensuring the classification requirements of the company in the first or second stage.

In the case of Personal Loans, if the non-fulfillment of the payment obligation to the Bank results from the temporary liquidity shortage, loans may be restructured in order to provide the borrower with liquidity power and to collect the receivable of the Bank. Removal of customers from the scope of restructuring is done within the scope of the Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables.

- The loan, which is restructured in the process of performing-private restructuring loans (need-vehicle-housing), is considered as close monitoring and is followed in close monitoring at the time of restructured loan period.
- Performing-Individual restructuring in the credit card process can be subtracted from close monitoring if paid 12 months from the date of restructuring and paid at least 10% of the restructured / financed principal amount.
- There is no restructuring of loan and credit card related to the non-performing loans.

X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES

a. Loans and Receivables:

Loans are financial assets raised through lending, providing services or products. Assets in this subject are reflected in the balance sheet measured at amortized cost using effective interest rate method.

The Bank makes risk assessment for the loans on the consumer and portfolio basis and provides specific provisions for the non-performing loans not less than the determined minimum rates according to 10th, 11th, 13th and 15th articles of the “Regulation on Procedures and Principles for Determination of Qualifications of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 and numbered 29750. In addition to the non-performing loans, the Bank provides general loan loss provisions for the loans and receivables which are defined in the same communiqué. The interests and accruals of the non-performing loans are derecognized from the financial statement and provision expense is recognized in the income statement. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

Bank’s loans are recorded under the “Measured at Amortized Cost” account.

XI. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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 recognized amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis.

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**XII. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES’
LENDING TRANSACTIONS**

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value difference through profit or loss”, “Financial assets at fair value difference through other comprehensive income” and “Measured at amortized cost” in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. Funds obtained under repurchase agreements are accounted under “Funds provided under repurchase agreements” in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the “Effective interest (internal return) method”. Funds given against securities purchased under agreements to resell (“Reverse repo”) are accounted under “Receivables from money market” in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the “Effective interest rate method”. The bank has no securities lending transactions.

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND
RELATED TO DISCONTINUED OPERATIONS AND LIABILITIES RELATED WITH
THESE ASSETS**

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

As of 30 September 2019 and 31 December 2018, the Bank has no discontinued operations.

XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank’s intangible assets are composed of software, goodwill and establishment expenditures. Intangible assets are measured in accordance with “Intangible Assets Standard” (“TAS 38”) 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 cost after the deduction of accumulated depreciation and the provision for value decreases. The depreciable amount of an intangible asset is allocated on a systematic basis over its useful life. The costs of the intangible assets purchased before 31 December 2004, end of the high inflation period is accepted as 31 December 2004, are subject to inflation indexation until 31 December 2004. Intangible assets purchased after 31 December 2004 are recognised with their acquisition cost in the financial statements.

As of 30 September 2019, there is no net book value of goodwill (31 December 2018: None).

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XV. EXPLANATIONS ON PROPERTY AND EQUIPMENT

All property and equipment are measured in accordance with “Property, Plant and Equipment Standard” (“TAS 16”) at its cost when initially recognized 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 is carried at cost less accumulated depreciation and provision for value impairment. The costs of the property and equipment purchased before 31 December 2004 or subject to inflation indexation until 31 December 2004. Property and equipment purchased after 31 December 2004 are recognized with their purchase cost in the financial statements. Property and equipment are amortized by using the straight line method based on their useful lives, such as buildings depreciated at rate 2%, vehicles at rate 20%, furniture at rate 20%, and other tangible assets at rates ranging from 2% to 33%. The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item will remain in property and equipment. 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 net sales revenue. Repair and maintenance expenses in order to increase the useful life of the property and equipment are capitalized, other repair and maintenance costs are recognized as expenses. There are no mortgages, pledges or similar precautionary measures on tangible fixed assets.

XVI. EXPLANATIONS ON LEASING TRANSACTIONS

The Bank recognized assets held under finance leases on the basis of the lower of its fair value and the present value of the lease payments. Fixed assets acquired under finance lease contracts are classified in tangible assets and amortized over their estimated useful lives. Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a “Provision for value decrease” is recognized. Liabilities arising from the leasing transactions are included in “Financial lease payables” in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are presented the income statement. The Bank does not provide finance lease services as a “Lessor”.

At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognizes an asset representing the right to use the underlying asset and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions and contingent liabilities are accounted in accordance with, “Provisions, Contingent Liabilities and Contingent Assets Standard” (“TAS 37”). Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount of the obligation can be made. 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.

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XVIII. EXPLANATIONS ON CONTINGENT ASSETS

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. Contingent assets are not recognized in financial statements since this may result in recognition of income that may never be realized. If an inflow of economic benefits to the Bank has become probable, then the contingent asset is disclosed in the footnotes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“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 Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 2,31% (31 December 2018: 4,50%).

As of 30 September 2019, actuarial loss amounted to TL 27.755 (31 December 2018: TL 28.096 loss) is recognized under other income reserves in the financial statements.

All actuarial gains and losses are recognized under equity in accordance with TAS 19.

XX. EXPLANATIONS ON TAXATION

a. Current Tax:

According to the article no. 32 of “Corporate Tax Law” No. 5520 was published in the Official Gazette, No. 26205 dated 21 June 2006, the corporate tax rate is 20%. However, according to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated 5 December 2017, corporate tax rate applies as 22% for the three year period between 2018 and 2020. Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless there is a profit distribution.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related “Double Tax Treaty Agreements” are taken into account. An increase in capital via issuing bonus share is not considered as profit distribution and thus does not incur withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the corporate tax rate of the related years. Advance tax paid by corporations, which is for the current period is credited against the annual corporation tax, calculated on their annual corporate income in the following year. Companies file their tax returns until the 25th day of the fourth month after the closing of the accounting year to which they relate.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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XX. EXPLANATIONS ON TAXATION (Continued)

b. Deferred Tax Asset/Liability:

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Income Taxes Standard” (“TAS 12”) and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax assets and liabilities are presented as net in the financial statements in accordance with TAS 12.

In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The Law regarding amendments on Certain Tax Laws was approved in the Grand National Assembly of Turkey on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to the Law that have been enacted, deferred tax assets and liabilities shall be measured at the tax rate 22% that are expected to apply to these periods when the assets is realized or the liability is settled. From 2021 onwards, deferred tax assets and liabilities were measured by 20% tax rate.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements. After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. As of 30 September 2019, the Bank has recognized deferred tax receivables amounting to TL 218.448 as assets (31 December 2018: Deferred tax receivables amounting to TL 137.491 as assets).

Various operations and calculations with unascertained effects on final tax amount occur during standard workflow, and these require important judgment in determining income tax provision. Bank records tax liabilities caused by projections of additional taxes to be paid as a result of tax related incidents. In cases, which final tax results based on these incidents differ from initially recorded amounts, differences may effect income tax and deferred tax assets of the period they are recognized.

c. Transfer Pricing:

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at 18 November 2007, explains the application related issues on this topic. According to this communiqué, the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. As stated in the “7.1 Annual Documentation” section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices. Bank has filled out the related form and presented it to the tax office.

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XXI. EXPLANATIONS ON BORROWINGS

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the unconsolidated financial statements enclosed, foreign currency borrowings are translated according to the Bank’s period end exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognized in the financial statements. The Bank has no marketable securities issued and convertible bonds as of 30 September 2019 and 31 December 2018.

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 30 September 2019 and 31 December 2018, the Bank has no issued share certificates.

XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

Availed drafts and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts, if any.

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 30 September 2019 and 31 December 2018, the Bank has no government incentives.

XXV. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

XXVI. EXPLANATIONS ON TFRS 9 FINANCIAL INSTRUMENTS

The Bank has adopted TFRS 9 Financial Instruments (“TFRS 9”) with the exclusion of loan provision calculations, to replace TAS 39 Financial Instruments: Recognition and Measurement as of 1 January 2018, as issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated 19 January 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Bank did not early adopt TFRS 9 in previous periods.

As of 1 January 2019, the Bank recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and non-cash loans based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, expected credit loss which will be calculated for financial assets and hedge accounting.

In accordance with the transition rules option provided by the TFRS 9 "Financial Instruments", the Bank is not restated the prior period financial statements and recognized the transition effect of the standard as of January 1, 2019 under equity’s “prior year profit or loss” accounts then The Bank reclassified this effect to extraordinary reserves.

The Bank applies the above-mentioned procedures for all financial assets to the balance sheet classification and measurement criteria.

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XXVI. EXPLANATIONS ON TFRS 9 FINANCIAL INSTRUMENTS (Continued)

Each financial assets classified as financial asset at fair value through profit or loss, at amortized cost, or at fair value through profit or loss at initial recognition. For the classification and measurement of financial liabilities, the application of the existing provisions in TAS 39 does not change much.

Explanations on the impact of TFRS 9 implementation of The Bank is stated below.

Reconciliation of statement of financial position balances as at the transition of TFRS 9

The following table shows the reconciliation of provision of impairment loss as of 31 December 2018 and the new expected credit loss in accordance with TFRS 9 as of 1 January 2019.

Financial Assets	Book value before TFRS 9 31 December 2018	Remeasurements	Book value After TFRS 9 1 January 2019
Loans	949.304	619.041	1.568.345
Stage 1&2	258.605	665.430	924.035
Stage 3	690.699	(46.389)	644.310
Other Assets	105.818	(102.373)	3.445
Non-Cash Loans	44.680	(20.725)	23.955
Stage 1&2	40.337	(22.689)	17.648
Stage 3	4.343	1.964	6.307
Total	1.099.802	495.943	1.595.745

Effects on equity with TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2019 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The amounting to TL 495.943 difference which is an expense between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2019 is classified as "Extraordinary Reserves" in shareholders' equity.

Deferred tax assets amounting to TL 108.073 and corporate tax loss amounting to TL 9.773 which have been cancelled due to TFRS 9 transition, have been reflected to the opening financials of January 1, 2019 and the related amount has been classified under "Extraordinary Reserves" in shareholders' equity.

XXVII. 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 reserves 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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XXVIII. EARNINGS/LOSS PER SHARE

Earnings per share disclosed in the statement of profit or loss are calculated by dividing net earnings/ (loss) for the year to the number of shares.

	Current Period 30 September 2019
Net Earnings/(Loss) for the Period	456.070
Number of Shares	65.229.000.000
Earnings/(Loss) per Share ^(*)	0,006992

^(*) Amounts are expressed in full TL.

	Prior Period 30 September 2018
Net Earnings/(Loss) for the Period	245.037
Number of Shares	65.229.000.000
Earnings/(Loss) per Share ^(*)	0,003757

^(*) Amounts are expressed in full TL.

XXIX. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement cash includes cash on hand, cash in transit, purchased bank cheques and demand deposits including balances with the Central Bank of the Republic of Turkey; and cash equivalents include interbank money market placements, reserve deposit average accounts, time deposits at banks and investments at marketable securities with original maturity periods of less than three months.

XXX. RELATED PARTIES

Parties stated in the article no. 49 of the Banking Law No. 5411, Bank’s senior management, and board members are deemed as related parties. Transactions with related parties are presented in Note VII of Section Five.

XXXI. RECLASSIFICATIONS

None.

XXXII. OTHER MATTERS

As permitted by the transitional provisions of TFRS 9, the Bank elected not to restate comparative figures. As per the article named “Financial Reporting” of BRSA No. 24049440-045.01[3/8]-E.5380 dated 17 April 2018, prior periods’ information are presented in old format and TFRS 9 have not been implemented.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY

Equity and Capital Adequacy Standard Ratio of the Bank is calculated in accordance with “Communiqué on Measurement and Assessment of Capital Adequacy of Banks”, and “Communiqué on Equities of Banks”. As of 30 September 2019, equity of the Bank is amounting to TL 4.682.541 and the Bank’s capital adequacy ratio is 19,92%. As of 31 December 2018, equity of the Bank is amounting to TL 4.414.676 and the Banks’s capital adequacy ratio is 20,00%. Capital adequacy ratio of the Bank is higher than the minimum rate required by the related regulation.

a. Information about shareholders’ equity items:

	Current Period 30 September 2019	Amount as per the regulation before 01.01.2014 ^(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	1.955.458	
Other Comprehensive Income according to TAS	8.883	
Profit	456.070	
Current Period Profit	456.070	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	3.072.701	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	27.755	
Leasehold Improvements on Operational Leases	32.692	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	152.424	152.424
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	8.883	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier I Capital according to second paragraph of the provisional article 2 in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued common share capital of the entity	-	
Amounts related to mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions from Common Equity Tier I Capital	221.754	
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	404.573	
Total Common Equity Tier I Capital	3.255.520	

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**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY
(Continued)**

	Current Period 30 September 2019	Amount as per the regulation before 01.01.2014 ^(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital = Common Equity Tier I Capital + Additional Tier I Capital)	3.255.520	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.186.185	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	246.587	
Total Deductions from Tier II Capital	1.432.772	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	55	
Total Deductions from Tier II Capital	55	
Total Tier II Capital	1.432.717	
Total Equity (Total Tier I and Tier II Capital)	4.688.237	
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	5696	
Other items to be Defined by the BRSA	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	

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**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY
(Continued)**

	Current Period 30 September 2019	Amount as per the regulation before 01.01.2014 ^(*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.682.541	
Total Risk Weighted Assets	23.512.472	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	13,85	
Tier I Capital Ratio (%)	13,85	
Capital Adequacy Ratio (%)	19,92	
BUFFERS		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,69	
a) Capital Conservation Buffer Ratio (%)	2,50	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,19	
c) Systemic significant Bank Buffer Ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital conservation and countercyclical Capital buffers to Risk weighted Assets (%)	6,65	
Amounts Lower Than Excesses as per the Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	838.285	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	246.587	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018-1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts to be recognized under transition regulations.

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I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY(Continued)

	Prior Period 31 December 2018	Amount as per the regulation before 01.01.2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	2.017.517	
Other Comprehensive Income according to TAS	-	
Profit	335.584	
Current Period Profit	335.584	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	3.005.391	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	74.188	
Leasehold Improvements on Operational Leases	37.265	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	150.911	150.911
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4.568	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	
Mortgage Servicing Rights exceeding the 10% Threshold of Tier I Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier I Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions from Common Equity Tier I Capital	266.932	
Total Common Equity Tier I Capital	2.738.459	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital = Common Equity Tier I Capital + Additional Tier I Capital)	2.738.459	

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	Prior Period 31 December 2018	Amount as per the regulation before 01.01.2014 ^(*)
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.454.324	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	231.710	
Total Deductions from Tier II Capital	1.686.034	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital	-	
Other items to be defined by the BRSA (-)	214	
Total Deductions from Tier II Capital	214	
Total Tier II Capital	1.685.820	
Total Equity (Total Tier I and Tier II Capital)	4.424.279	
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be Defined by the BRSA	9.603	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	

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**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY
(Continued)**

	Prior Period 31 December 2018	Amount as per the regulation before 01.01.2014 ^(*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4,414.676	
Total Risk Weighted Assets	22.084.220	
CAPITAL ADEQUACY RATIOS		
Common Equity Tier I Capital Ratio (%)	12,40	
Tier I Capital Ratio (%)	12,40	
Capital Adequacy Ratio (%)	20,00	
BUFFERS		
Bank-specific total CET1 Capital Ratio (%) (a+b+c)	1,90	
a) Capital Conservation Buffer Ratio (%)	1,88	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,02	
c) Systematic-important Bank Buffer Ratio (%)		
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital conservation and countercyclical Capital buffers to Risk weighted Assets (%)	6,02	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital		-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital		-
Remaining Mortgage Servicing Rights		-
Net Deferred Tax Assets arising from Temporary Differences		-
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	404.760	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	229.076	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4		-
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4		-
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4		-
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4		-

^(*) Amounts to be recognized under transition regulations

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I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY (Continued)

b. Items included in capital calculation:

Information about instruments that will be included in total capital calculation:	
Details on Subordinated Liabilities:	
Issuer	HSBC HOLDINGS PLC
Identifier(s) (CUSIP, ISIN vb.)	Subordinated Loans
Governing law (s) of the instrument	BRSA
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Not Deducted
Eligible on unconsolidated and /or consolidated basis	Eligible
Instrument type	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1,186
Nominal value of instrument	1,186
Accounting classification of the instrument	Liability – Subordinated Loan
Issuance date of instrument	28.01.2015
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	According to written approval of the BRSA, it can be fully repaid in the 5th year of the loan.
Subsequent call dates, if applicable	None
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	LIBOR + 4,48%
Existence of any dividend payment restriction	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible into equity shares	
	In case of the possibility of cancelling the Bank's operational permit or transferring to the Fund; The principal amount and interest payment liabilities of the loan may be terminated in whole or in part in accordance with the decision of the Board in this direction or it may be converted into capital by complying with the required legislation.
If convertible, conversion trigger (s)	
If convertible, fully or partially	Fully convertible
If convertible, conversion rate	The conversion rate / value shall be calculated based on the market data in the case of the exercise of the right.
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	
If bonds can be written-down, write-down trigger(s)	-
If bond can be written-down, full or partial	-
If bond can be written-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	After borrowing, before additional capital, same as other contribution capital
In compliance with article number 7 and 8 of "Own fund regulation"	In compliance with the requirements of Article 7 and 8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	In compliance with the requirements of Article 7 and 8 of "Own fund regulation"

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**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY
(Continued)**

Information on Article 5 of the Regulation on Equities of Banks:

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity	3.255.520	3.154.377	3.053.234	2.952.090	2.850.947
Transition process not implemented Common Equity	2.850.947	2.850.947	2.850.947	2.850.947	2.850.947
Tier 1 Capital	3.255.520	3.154.377	3.053.234	2.952.090	2.850.947
Transition process not implemented Tier 1 Capital	2.850.947	2.850.947	2.850.947	2.850.947	2.850.947
Total Capital	4.682.541	4.581.398	4.480.255	4.379.111	4.277.968
Transition process not implemented Equity	4.277.968	4.277.968	4.277.968	4.277.968	4.277.968
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	23.512.472	23.512.472	23.512.472	23.512.472	23.512.472
Capital Adequacy Ratio					
Common Equity (%)	13,85	13,42	12,99	12,56	12,13
Transition process not implemented Common Equity Ratio (%)	12,13	12,13	12,13	12,13	12,13
Tier 1 Capital	13,85	13,42	12,99	12,56	12,13
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12,13	12,13	12,13	12,13	12,13
Capital	19,92	19,48	19,05	18,62	18,19
Transition process not implemented Capital Adequacy Ratio (%)	18,19	18,19	18,19	18,19	18,19
LEVERAGE					
Leverage Ratio Total Risk Amount	44.930.995	44.930.995	44.930.995	44.930.995	44.930.995
Leverage (%)	7,13	7,02	6,80	6,57	6,35
Transition process not implemented Leverage Ratio (%)	6,35	6,35	6,35	6,35	6,35

c. Approaches for assessment of adequacy of internal capital requirements for current and future activities:

The HSBC Bank A.Ş.’s assessment process of adequacy of internal capital requirements and capital adequacy policies was prepared in order to describe the assessment process of adequacy of internal capital requirements and capital adequacy policies, and approved by its board of directors in 27 February 2017. The ultimate aim of this internal capital requirements process is to maintain the continuity of capital adequacy under the Bank’s strategies, business plan, and scope or in case of changes in developed assumption and methodology, the assessment methodology of internal capital requirements is a developing process, accordingly, the future improvement areas are determined and the working plans are set.

With this evaluation process, on a prospective basis ensuring the continuity of the legal minimum limits of capital, keeping capital adequately to support the Bank’s targeted risk profile and ensuring the maintenance of capital adequately as well as the process of compliance with laws and regulations.

d. Explanations on reconciliation of capital items with balance sheet amounts:

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provision and subordinated debts. In the calculation of Total Capital, general provision up to 1,25% credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from “Total Capital”.

II. EXPLANATIONS ON CREDIT RISK

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

III. EXPLANATIONS ON COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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IV. EXPLANATIONS ON CURRENCY RISK

- a. Exposed risk of foreign currency, estimations on the effects of this matter, limits for the daily followed positions are determined by the Board of Directors:**

In foreign currency risk management, the Bank makes tiny distinctions and generally attentive to not taking long position when organizing the currency risk. In organizing foreign currency positions, the Bank acts in accordance with both the legal limitations and the limitations determined by the board of the directors.

- b. Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:**

The Bank, as a general principle does not carry any foreign currency position, by hedging its foreign currency positions with derivative products except long positions held for foreign currency expected credit losses in accordance with TFRS 9. Foreign exchange bid rate of important foreign currencies are indicated in the table below.

- c. Management policy for foreign currency risk:**

Policy of the foreign currency risk management is explained in the first article.

- d. Current foreign exchange bid rates of the Bank for the last five business days prior to the financial statement date:**

The Bank’s foreign exchange bid rates for US Dollar, and Euro as of the date of the financial statements and for the last five days prior to that date are presented below:

Current Period – 30 September 2019	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	5,6485	6,1617
Prior Balance Sheet Date		
27 September 2019	5,6585	6,1901
26 September 2019	5,6646	6,2044
25 September 2019	5,6955	6,2468
25 September 2019	5,7027	6,2764
23 September 2019	5,7330	6,3020
Prior Period – 31 December 2018	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	5,2885	6,0566
Prior Balance Sheet Date		
28 December 2018	5,2736	6,0359
27 December 2018	5,2928	6,0465
26 December 2018	5,3030	6,0438
25 December 2018	5,3030	6,0438
24 December 2018	5,3030	6,0438

- e. The simple arithmetic average of the Bank’s foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies:**

As of September 2019, the Bank’s simple arithmetic average foreign exchange rate for USD is TL 5,7116 (December 2018: TL 5,3104) and exchange rate for Euro is TL 6,2902 (December 2018: TL 6,0426).

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IV. EXPLANATIONS ON CURRENCY RISK (Continued)

f. Information related to Bank’s currency risk:

Current Period – 30 September 2019	Euro	USD	Other FC	Total
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	791.511	836.072	551.715	2.179.298
Banks	327	545.407	3.785	549.519
Financial Assets at Fair Value through Profit or Loss (Net) (***)	499.213	789.141	6.924	1.295.278
Interbank Money Market Placements	-	3.658.090	-	3.658.090
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	3.899.239	2.972.944	11.259	6.883.442
Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets	317.159	346.419	67	663.645
Total Assets	5.507.449	9.148.073	573.750	15.229.272
Liabilities				
Bank Deposits	8	15	-	23
Foreign Currency Deposits	6.549.755	8.820.466	2.458.362	17.828.583
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	5.507	1.246.318	-	1.251.825
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	4.256	22.357	33.149	59.762
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	331.590	962.318	25.874	1.319.782
Total Liabilities	6.891.116	11.051.474	2.517.385	20.459.975
Net on Balance Sheet Position (****)	(1.383.667)	(1.903.401)	(1.943.635)	(5.230.703)
Net Off Balance Sheet Position (****)	1.504.022	2.176.980	1.918.944	5.599.946
Financial Derivative Assets	12.132.081	22.117.035	2.517.037	36.766.153
Financial Derivative Liabilities	10.628.059	19.940.055	598.093	31.166.207
Non-cash Loans	1.047.408	1.635.588	357.210	3.040.206
Prior Period - 31 December 2018				
Total Assets	5.890.666	12.939.825	467.127	19.297.618
Total Liabilities	6.096.414	12.647.210	1.324.761	20.068.385
Net on-Balance Sheet Position	(205.748)	292.615	(857.634)	(770.767)
Net off-Balance Sheet Position	316.303	(229.759)	828.988	915.532
Financial Derivative Assets	8.156.299	11.522.133	1.231.193	20.909.625
Financial Derivative Liabilities	7.839.996	11.751.892	402.205	19.994.093
Non-cash Loans	1.316.677	1.102.091	227.014	2.645.782

(*) As of 30 September 2019, total loans amount consists foreign indexed loans amounting to TL 21.391 (31 December 2018: TL 167.693).
(**) As of 30 September 2019, Other liabilities consists derivative financial liabilities amounting to TL 1.173.578 (31 December 2018: 915.173).

(***) As of 30 September 2019, financial assets at fair value through profit or loss consists derivative financial assets amounting to TL 1.194.422 (31 December 2018: 970.944).

(****) It is consist of long positions on the balance sheet for stage 1&2 foreign currency expected credit losses in accordance with TFRS 9.

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V. EXPLANATIONS ON INTEREST RATE RISK

There is a short term interest sensitivity gap at the balance sheet of the Bank due to a structural risk of the banking sector; obligation of funding of long-term assets with short-term deposits. Derivative financial instruments are used to mitigate possible interest rate risk of interest sensitive assets and liabilities. Interest rate futures and interest rate swap transactions are performed to reduce the balance sheet and off-balance sheet interest rate risk.

The Bank managed interest rate and prepayment risks of mortgages and other long-term loans with derivative financial instruments efficiently taking into consideration cost-benefit analysis and reduced the risk against to the fluctuations in global and local markets.

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates):

Current Period – 30 September 2019	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years Non- and Over	Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	1.827.843	-	-	-	-	927.332	2.755.175
Banks (*)	528.716	-	-	-	-	20.793	549.509
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	257.807	273.742	566.027	339.987	527.186	25.907	1.990.656
Interbank Money Market Placements	9.700.735	-	-	-	-	-	9.700.735
Financial Assets at Fair Value Through Other Comprehensive Income	99.730	-	459.480	335.605	100.941	-	995.756
Loans	5.420.182	1.843.159	3.417.990	4.104.937	584.947	269.885	15.641.100
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.720	-	57	233.170	-	1.201.282	1.436.229
Total Assets	17.836.733	2.116.901	4.443.554	5.013.699	1.213.074	2.445.199	33.069.160
Liabilities							
Bank Deposits	48.029	-	-	-	-	78.175	126.204
Other Deposits	16.099.990	3.570.713	551.912	2.640	-	4.973.315	25.198.570
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	260.828	260.828
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	719.754	-	1.246.318	-	-	5.507	1.971.579
Other Liabilities (***)	263.072	277.173	688.234	573.780	597.077	3.112.643	5.511.979
Total Liabilities	17.130.845	3.847.886	2.486.464	576.420	597.077	8.430.468	33.069.160
Balance Sheet Long Position	606.158	-	1.824.505	4.437.279	615.997	-	7.483.939
Balance Sheet Short Position	-	(1.730.985)	-	-	-	(5.752.954)	(7.483.939)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	(23.517)	(21.383)	(27.677)	(7.690)	-	-	(80.267)
Total Position	582.641	(1.752.368)	1.796.828	4.429.589	615.997	(5.752.954)	(80.267)

(*) Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT, Banks and interbank money market balances consist of expected credit losses amounting to TL 490.

(**) Financial Derivative Assets are shown in “Financial Assets at Fair Value Through Profit or Loss”, and Financial Derivative Liabilities are shown in “Other Liabilities”.

(***) Shareholders’ equity is presented under “Other Liabilities” item in “Non- Interest Bearing”.

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V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period – 31 December 2018	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	3.534.216	-	-	-	-	2.531.239	6.065.455
Banks	-	-	-	-	-	21.885	21.885
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	200.407	215.768	459.302	130.383	7.068	18.881	1.031.809
Interbank Money Market Placements	8.415.487	-	-	-	-	-	8.415.487
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	456.176	54.953	-	511.129
Loans	6.016.866	1.622.793	2.493.079	4.585.695	776.936	191.139	15.686.508
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.986	-	72	163.489	-	913.519	1.079.066
Total Assets	18.168.962	1.838.561	2.952.453	5.335.743	838.957	3.676.663	32.811.339
Liabilities							
Bank Deposits	1.744.608	-	-	-	-	132.885	1.877.493
Other Deposits	15.745.761	3.182.694	663.602	8.126	-	3.409.245	23.009.428
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	181.226	-	-	-	-	133.921	315.147
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	1.545.585	607.097	592.944	-	-	37.960	2.783.586
Other Liabilities (*) (**)	141.786	212.530	621.265	448.329	-	3.401.775	4.825.685
Total Liabilities	19.358.966	4.002.321	1.877.811	456.455	-	7.115.786	32.811.339
Balance Sheet Long Position	-	-	1.074.642	4.879.288	838.957	-	6.792.887
Balance Sheet Short Position	(1.190.004)	(2.163.760)	-	-	-	(3.439.123)	(6.792.887)
Off-Balance Sheet Long Position	50.697	-	66.833	-	-	-	117.530
Off-Balance Sheet Short Position	-	(20.870)	-	(13.430)	-	-	(34.300)
Total Position	(1.139.307)	(2.184.630)	1.141.475	4.865.858	838.957	(3.439.123)	83.230

(*) Shareholders' equity is presented under "Other Liabilities" item in "Non-Interest Bearing".

(**) Financial Derivative Assets are shown in "Financial Assets at Fair Value Through Profit or Loss", and Financial Derivative Liabilities are shown in "Other Liabilities".

b. Effective average interest rates for monetary financial instruments:

Current Period – 30 September 2019	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	5,00
Banks	-	1,80	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	2,38	6,50	-	14,26
Interbank Money Market Placements	-	1,88	-	16,27
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	15,15
Loans	4,44	6,93	-	24,79
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	13,03
Other Deposits	0,49	1,96	-	15,22
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	-	7,51	-	29,21
Prior Period - 31 December 2018				
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	2,00	-	21,37
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	4,30	7,19	-	17,56
Interbank Money Market Placements	-	2,47	-	25,49
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	12,29
Loans	4,30	5,65	-	21,72
Investments Held-to-Maturity	-	-	-	-
Liabilities				
Bank Deposits	-	2,50	-	19,60
Other Deposits	2,04	3,65	-	22,18
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	-	6,72	-	29,21

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VI. EXPLANATIONS ON POSITION RISK OF EQUITY SECURITIES IN BANKING BOOK

Position risk of equity securities in banking book:

As of 30 September 2019, the Bank has no financial assets that would cause a significant effect on its equity securities position (31 December 2018: None).

VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

Information about the liquidity risk management including factors such as risk capacity of the Bank, responsibilities and the structure of liquidity risk management, reporting of the liquidity risk within the Bank and providing communication with Board of Directors and line of businesses in terms of liquidity risk strategy, policy and applications:

The Bank has adopted principle of funding the liquidity and funding management of the Bank with stable funding instruments. Funds required must be available even under stressed conditions particular to the Bank and the Market.

The Balance Sheet Management, which is associated to the treasury function, and the management of liquidity manage the Bank’s short term liquidity and funding risks of the banking portfolio is conducted by Assets and Liabilities and Capital Management Unit (ALCM) operating under Finance department, within the framework of risk policies and risk appetite approved by Board of Directors. Board of Directors determines risk appetite and internal risk limits of liquidity. In terms of the approving risk appetite, inherent liquidity limits, and considering Bank’s strategy and market conditions, Assets and Liabilities Committee (ALCO) is the decision making body regarding balance sheet management, identification and efficiency of funding sources, and determination of potential risks. The Asset-Liability Management Committee is responsible for preparing middle and long term liquidity strategies.

Strategic funding plan forms up the primary basis of the liquidity and funding risk management, updated at least in annual basis and formed up within the scope of risk appetite. According to the strategic funding plan approved by ALCO, actions are considered in order to provide the most cost-efficient, diversified and stable funding resources in terms of maturity, currency and funding resource to monitor and evaluate balance sheet movements and projections and the current status of the balance sheet by ALCM. In addition, current and planned liquidity positions of bank is tracked at tactical ALCO meetings with the participation of business representatives at least on weekly basis and business line representatives are informed if necessary actions are to be taken. The aim of these meetings is to ensure prevention of negative net cash flow of the bank liquidity and prevention exceeding limits by comparing the current situation regarding to the balance sheet structure of business line with the approved limit usage of strategic funding plans and liquidity.

Information regarding functioning of liquidity management and the extent of centralization in funding strategy amid the Bank and its subsidiaries:

All subsidiaries of the controlling shareholder of the Bank plan and manage their liquidity within the limits of their risk appetite and internal limits.

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VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

The information about the Bank’s funding strategy including policies on diversification of its sources and tenor of funding:

Liquidity and funding management of the Bank adopts funding illiquid assets with stable funding instruments and funds in the need of to be always available as a principle. Stable funding instruments consist of stable deposit and long term debt instruments. Within this context, liquidity and funding management is primarily based on the stability of Banks’ deposit base and considers total stable deposits as primary measurement. Deposits of retail banking customers is the primary component of funding management because they are more stable and cost-efficient compared to other line of businesses. Moreover, other debt instruments with maturities of medium and long term are also used because of diversifying and balancing funding base in terms of maturity, currency, fund resource and cost; and because their average deposit maturity is less compared to the assets.

Information on liquidity management based on currency, which consists of a minimum of 5% of the Bank’s total liabilities:

Almost all of Banks’ total liabilities are in TL, USD and EUR. Liabilities in TL are generally consists of deposits, repurchase agreements and Shareholder’s Equity. Liabilities in FC consists of deposits in FC and other debt instruments in FC.

Consolidated liquidity measurement of the Banks’ total liquidity and selected currencies for short and long terms is planned within the context of strategic funding plan. The FC and total internal risk limits approvals of Board of Directors is available.

Information on liquidity risk mitigation techniques:

Internal liquidity limits above legal limits and liquidity buffer is used in order to lower liquidity risk. Funding resources are diversified as much as possible by planning cash inflows and outflows within the context of strategic funding plan. Therefore, effective management of concentrations is ensured in terms of maturity, currency and funding resources. The Bank also uses derivative transactions in order to lower liquidity risks.

Explanation of the usage of stress test:

Along with the legal liquidity risk calculations and restrictions, in terms of liquidity management, stress tests and scenario analyses are performed in accordance with the international liquidity management policies of HSBC. In these scenarios, liquidity crisis scenarios of Bank and macro liquidity crisis scenarios are evaluated and triggering factors of liquidity risk and prewarning signals are tracked. Analyses and results of the liquidity risk are tracked in tactical ALCO meetings weekly and in ALCO-Market Risk Committees monthly

General Information on liquidity emergency and contingency plans:

Liquidity Emergency and Contingency Plan is approved by the Board of Directors and ALCO and renewed on yearly basis. The plan contains detailed analyses and information about the actions to be taken in crisis management and employees responsible for the process, liquidity Access resources, liquidity situation of the Bank, early warning indicators within graded liquidity crisis scenarios.

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VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (CONTINUED)

a. Liquidity coverage rate:

The change in matters that impact liquidity coverage rate and units that are used for the calculation of the ratio:

Liquidity coverage rate is calculated by dividing high quality liquid assets that Bank owns to net cash outflows with maturity of 1 month. Reserve requirements kept by Central Bank of the Republic of Turkey (CBRT), reverse repurchase agreements, securities that are not subject to repurchase/collateral held for providing liquidity, corporate and bank deposits that may cause high cash outflows, non-deposit borrowings that are became due and receivables from banks form the most important components which affect the results of liquidity coverage rate due to the liquidity of the assets, having high volume in net cash outflows and having high rate of consideration. The ratio may fluctuate periodically due to reasons listed below;

- Transfer of the short-term liquidity to Money markets instead of debt instruments issued by CBRT based on market conditions.
- Fluctuations of bank and corporate deposits that are highly considered in fund resources.
- Fluctuations that may occur due to the aging of borrowings.
- Less than 1 month remaining maturity of cash inflows/outflows resulted specifically from FC derivative transactions.

Explanation regarding the components of high quality liquid assets:

High quality liquid assets consists of cash, effective depot, cheques purchased, time and demand deposit by CBRT, reverse repurchase transactions and securities that are not subject to repurchase/collateral for providing liquidity.

Components density of fund resources in all funds:

The Bank’s founding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for founding consists 77% of total liabilities.

Information about cash outflows resulted from derivative transactions and transactions that are likely to be collateralized:

Cash outflows resulted from derivative transactions are taken into account of liquidity coverage rate calculation by considering TL and FC net cash flows with 30-days maturity. Net cash flows resulted from derivative transactions have minimal effect on total liquidity coverage rate. However, as a result of shifts in derivative volumes due to FC derivatives used in the management of cash flows and incoming maturities of derivative transactions, periodic fluctuations on FC liquidity coverage rate may occur.

Concentration limits of collaterals in terms of fund resources based on counterparty and products:

Within the context of strategic funding plan, cash inflows and outflows are planned and effective management of concentration of fund resources in terms of maturity, currency and fund resource is projected. In the context, customer-based deposit concentrations, limits and usages set up for the counterparties in non-deposit borrowings and maturity-based distribution of borrowings are tracked and reported to ALCO every month periodically.

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**VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAG
RATIO (Continued)**

Current Period – 30.09.2019	Total value to which the consideration ratio is not applied ^(*)		Total value to which the consideration ratio is applied ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			13.089.303	8.907.051
Cash Outflows				
Real person and retail deposits	17.965.673	14.329.379	1.727.959	1.428.092
Stable deposits	1.372.173	96.931	68.609	4.847
Less stable deposits	16.593.500	14.232.448	1.659.350	1.423.245
Unsecured debts other than real person and retail deposits	7.899.991	4.015.172	4.178.218	1.780.985
Operational deposits	-	-	-	-
Non-operational deposits	7.301.398	3.920.435	3.579.625	1.686.248
Other unsecured debts	598.593	94.737	598.593	94.737
Secured debts	-	-	-	-
Other cash outflows	1.840.803	3.362.210	1.840.803	3.362.210
Derivative liabilities and collateral completion liabilities	1.840.803	3.362.210	1.840.803	3.362.210
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	8.166.922	3.481.097	848.619	484.075
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			8.595.599	7.055.362
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.471.170	1.733.192	2.869.690	1.295.768
Other cash inflows	640.774	4.005.008	640.774	4.005.008
TOTAL CASH INFLOWS	5.111.944	5.738.200	3.510.464	5.300.776
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			13.089.303	8.907.051
TOTAL NET CASH OUTFLOWS			5.085.135	1.763.841
LIQUIDITY COVERAGE RATIO (%)			257,40	504,98

(*) Simple arithmetic average for last 3 months is calculated for items of the table, which are calculated by weekly simple arithmetic averages.

Table below represents lowest, highest and average liquidity coverage rates for the last three months.

	Current Period - 30.09.2019	
	TL+FC	FC
Highest (%)	387,56	557,6
Date	04.09.2019	19.09.2019
Lowest (%)	190,37	221,06
Date	24.07.2019	08.07.2019
Average (%)	257,40	504,98

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VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

Prior Period – 31.12.2018	Total value to which the consideration ratio is not applied ^(*)		Total value to which the consideration ratio is applied ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			10.587.062	9.295.612
Cash Outflows				
Real person and retail deposits	17.004.786	11.370.267	1.617.439	1.137.027
Stable deposits	1.660.801	-	83.040	-
Less stable deposits	15.343.985	11.370.267	1.534.399	1.137.027
Unsecured debts other than real person and retail deposits	8.127.515	5.218.825	3.682.915	2.162.052
Operational deposits	-	-	-	-
Non-operational deposits	7.775.506	5.187.235	3.330.906	2.130.462
Other unsecured debts	352.009	31.590	352.009	31.590
Secured debts	-	-	-	-
Other cash outflows	1.733.936	2.964.527	1.733.936	2.964.526
Derivative liabilities and collateral completion liabilities	1.733.936	2.964.527	1.733.936	2.964.526
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	8.533.612	2.820.916	888.107	463.850
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			7.922.397	6.727.455
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	6.247.311	2.372.158	4.362.186	2.042.487
Other cash inflows	80.488	1.823.917	80.488	1.823.917
TOTAL CASH INFLOWS	6.327.799	4.196.075	4.442.674	3.866.404
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			10.587.062	9.295.612
TOTAL NET CASH OUTFLOWS			3.479.723	2.861.051
LIQUIDITY COVERAGE RATIO (%)			304,25	324,90

^(*) Simple arithmetic average for last 3 months is calculated for items of the table, which are calculated by weekly simple arithmetic averages.

Table below represents lowest, highest and average liquidity coverage rates for year 2018.

	Prior Period - 31.12.2018	
	TL+FC	FC
Highest (%)	525,95	537,49
Date	28.12.2018	28.12.2018
Lowest (%)	248,06	227,95
Date	04.10.2018	04.10.2018
Average (%)	304,25	324,90

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VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

b. Breakdown of assets and liabilities according to their outstanding maturities:

Current Period - 30 September 2019	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated	Total
Assets								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT ^(****)	927.332	1.827.843	-	-	-	-	-	2.755.175
Banks	20.793	528.716	-	-	-	-	-	549.509
Financial Assets at Fair Value through Profit or Loss (Net) ^(***)	-	216.425	90.437	192.582	630.361	834.944	25.907	1.990.656
Interbank Money Market Placements	-	9.700.735	-	-	-	-	-	9.700.735
Financial Assets at Fair Value through Other Comprehensive Income	-	99.730	-	459.480	335.605	100.941	-	995.756
Loans	-	2.788.533	3.244.162	4.384.830	4.379.421	574.269	269.885	15.641.100
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets ^(*)	-	1.720	-	57	233.170	-	1.201.282	1.436.229
Total Assets	948.125	15.163.702	3.334.599	5.036.949	5.578.557	1.510.154	1.497.074	33.069.160
Liabilities								
Bank Deposits	78.175	48.029	-	-	-	-	-	126.204
Other Deposits	4.973.315	16.099.990	3.570.713	551.912	2.640	-	-	25.198.570
Funds from Interbank Money Market	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	260.828	260.828
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Funds Borrowed	5.507	719.754	-	-	-	1.246.318	-	1.971.579
Other Liabilities ^{(**)(***)}	-	217.912	114.077	365.088	814.971	887.288	3.112.643	5.511.979
Total Liabilities	5.056.997	17.085.685	3.684.790	917.000	817.611	2.133.606	3.373.471	33.069.160
Net Liquidity Excess / (Gap)	(4.108.872)	(1.921.983)	(350.191)	4.119.949	4.760.946	(623.452)	(1.876.397)	-
Net Off Balance Sheet Position	-	(23.128)	(20.253)	(28.069)	(8.817)	-	-	(80.267)
Derivative Financial Assets	-	24.562.177	7.316.947	7.774.416	17.531.330	5.762.387	-	62.947.257
Derivative Financial Liabilities	-	24.585.305	7.337.200	7.802.485	17.540.147	5.762.387	-	63.027.524
Non-cash Loans	2.492.118	13.733	158.979	1.270.867	155.536	1.609	-	4.092.842
Prior Period - 31 December 2018								
Total Assets	2.553.124	17.560.907	2.049.423	3.078.108	5.510.819	935.419	1.123.539	32.811.339
Total Liabilities	3.580.090	17.778.401	3.955.522	1.839.840	556.347	1.565.443	3.535.696	32.811.339
Net Liquidity Excess / (Gap)	(1.026.966)	(217.494)	(1.906.099)	1.238.268	4.954.472	(630.024)	(2.412.157)	-
Net Off-Balance Sheet Position	-	50.696	(20.869)	66.832	(13.429)	-	-	83.230
Derivative Financial Assets	-	13.554.469	3.991.419	8.862.705	13.942.201	1.664.084	-	42.014.878
Derivative Financial Liabilities	-	13.503.773	4.012.288	8.795.873	13.955.630	1.664.084	-	41.931.648
Non-cash Loans	2.116.849	64.051	258.606	678.814	536.647	3.298	-	3.658.265

^(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments, subsidiaries, stationery, pre-paid expenses and non-performing loans, are classified in this column.

^(**) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.

^(***) Financial Derivative Assets are shown in "Financial Assets at Fair Value Through Profit or Loss", and Financial Derivative Liabilities are shown in "Other Liabilities".

^(****) Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT, Banks and interbank money market balances consist of expected credit losses amounting to TL 490.

c. Information on securitization positions:

None.

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VIII. EXPLANATIONS ON LEVERAGE RATIO

Below is the table on leverage ratio according to the Guideline of the Measuring and Evaluating Banks’ Leverage Rate, published in the Official Gazette no.28812 and dated 5 November 2013.

	Current Period 30.09.2019 ^(*)
Assets On the Balance Sheet	
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	25.542.457
2 (Assets deducted from core capital)	(184.356)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	25.358.101
Derivative Financial Instruments and Loan Derivatives	
4 Renewal cost of derivative financial instruments and loan derivatives	794.169
5 Potential credit risk amount of derivative financial instruments and loan derivatives	760.305
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.554.474
Financing Transactions with Securities or Goods Warranties	
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	77.159
8 Risk amount arising from intermediated transactions	-
9 Total risk amount of financing transactions with securities or goods warranties (sum of lines 7 and 8)	77.159
Off-the-Balance Sheet Transactions	
10 Gross nominal amount of the off-the-balance sheet transactions	17.941.261
11 Adjustment amount arising from multiplying by the credit conversion rate	-
12 Total risk amount for off-the-balance sheet transactions (sum of lines 10 and 11)	17.941.261
Capital and Total Risk	
13 Core capital	3.204.380
14 Total risk amount (sum of lines 3,6,9 and 12)	44.930.995
Transition Process Unapplied Leverage Ratio	
15 Transition process unapplied leverage ratio (%)	7,13

(*) Table represents three month average amounts.

	Prior Period 31.12.2018 ^(*)
Assets On the Balance Sheet	
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	25.514.773
2 (Assets deducted from core capital)	(178.737)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	25.336.036
Derivative Financial Instruments and Loan Derivatives	
4 Renewal cost of derivative financial instruments and loan derivatives	645.111
5 Potential credit risk amount of derivative financial instruments and loan derivatives	617.504
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.262.615
Financing Transactions with Securities or Goods Warranties	
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	123.170
8 Risk amount arising from intermediated transactions	-
9 Total risk amount of financing transactions with securities or goods warranties (sum of lines 7 and 8)	123.170
Off-the-Balance Sheet Transactions	
10 Gross nominal amount of the off-the-balance sheet transactions	15.826.674
11 Adjustment amount arising from multiplying by the credit conversion rate	-
12 Total risk amount for off-the-balance sheet transactions (sum of lines 10 and 11)	15.826.674
Capital and Total Risk	
13 Core capital	2.719.157
14 Total risk amount (sum of lines 3,6,9 and 12)	42.548.495
Transition Process Unapplied Leverage Ratio	
15 Transition process unapplied leverage ratio (%)	6,39

(*) Table represents three month average amounts.

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IX. EXPLANATIONS ON 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 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following required tables have not been presented on 30 September 2019:

- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of market risk exposures under an IMA

a. Explanations on Risk Management and Risk Weighted Amount:

1. Overview of Risk Weighted Amounts:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period 30 September 2019	Prior Period 31 December 2018	Current Period 30 September 2019
Credit risk (excluding counterparty credit risk)	17.806.045	16.867.575	1.424.484
Standardised approach	17.806.045	16.867.575	1.424.484
Internal rating-based approach	-	-	-
Counterparty credit risk	1.920.878	1.458.480	153.670
Standardised approach for counterparty credit risk	1.920.878	1.458.480	153.670
Internal model method	-	-	-
Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – 1250% risk weighting approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
IRB ratings-based approach	-	-	-
IRB supervisory formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	1.152.513	995.725	92.201
Standardised approach	1.152.513	995.725	92.201
Internal model approaches	-	-	-
Operational risk	2.633.036	2.762.440	210.643
Basic indicator approach	2.633.036	2.762.440	210.643
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
TOTAL	23.512.472	22.084.220	1.880.998

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

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

**XI. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF
OTHER PEOPLE**

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

XII. EXPLANATIONS ON OPERATING SEGMENTS

The Bank operates in retail banking, corporate and investment banking, treasury and capital markets.

In the retail banking segment, the Bank provides debit card, credit card, deposits, consumer loan, payment and collection, premier customer services, custodian services, financial planning, insurance products services. In corporate and commercial banking segment, the Bank provides loans, commercial card, foreign trade financing, structured trading financing, project and export financing, syndications, custodian services, cash and risk management services. In the corporate and investment banking segment, loan and investment services, commercial card, insurance products, cash and risk management services are provided to customers. Also, the Bank provides marketable securities transactions, gold and foreign exchange transactions, derivative transactions and money market transactions services to its customers.

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank’s Total Activities
Current Period – 30 September 2019					
Operating Income	487.693	734.415	400.864	-	1.622.972
Other	-	-	-	-	-
Operating Income	487.693	734.415	400.864	-	1.622.972
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(82.764)	378.738	281.459	3.256	580.689
Profit before Tax	(82.764)	378.738	281.459	3.256	580.689
Corporate Tax Provision (*)	-	-	-	(124.619)	(124.619)
Profit after Tax	(82.764)	378.738	281.459	(121.363)	456.070
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(82.764)	378.738	281.459	(121.363)	456.070
Segment Assets	3.279.074	8.398.497	21.356.616	-	33.034.187
Associates and Subsidiaries	-	-	34.753	220	34.973
Undistributed Assets	-	-	-	-	-
Total Assets	3.279.074	8.398.497	21.391.369	220	33.069.160
Segment Liabilities	18.283.391	7.477.577	3.054.580	1.207.832	30.023.380
Undistributed Liabilities	-	-	-	3.045.780	3.045.780
Total Liabilities	18.283.391	7.477.577	3.054.580	4.253.612	33.069.160
Other Segment Items	259.145	(9.047)	(15.079)	-	235.019
Capital Investment	-	-	-	-	-
Amortization	(44.245)	(9.047)	(7.561)	-	(60.853)
Impairment	-	-	(7.518)	-	(7.518)
Non-Cash Other Income-Expense (**)	303.390	-	-	-	303.390

(*) Corporate tax provision is not distributed.

(**) Non-Cash Other Income-Expense includes other income and expense accruals and provisions.

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XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Prior Period - 31 December 2018 (***)					
Operating Income	371.123	398.412	210.626	-	980.161
Other	-	-	-	-	-
Operating Income	371.123	398.412	210.626	-	980.161
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	20.135	135.230	168.198	(1.010)	322.553
Profit before Tax	20.135	135.230	168.198	(1.010)	322.553
Corporate Tax Provision (*)	-	-	-	(77.516)	(77.516)
Profit after Tax	20.135	135.230	168.198	(78.526)	245.037
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	20.135	135.230	168.198	(78.526)	245.037
Segment Assets	4.031.440	8.152.060	20.592.866	-	32.776.366
Associates and Subsidiaries	-	-	34.753	220	34.973
Undistributed Assets	-	-	-	-	-
Total Assets	4.031.440	8.152.060	20.627.619	220	32.811.339
Segment Liabilities	16.784.522	7.791.363	3.706.737	1.595.130	29.877.752
Undistributed Liabilities	-	-	-	2.933.587	2.933.587
Total Liabilities	16.784.522	7.791.363	3.706.737	4.528.717	32.811.339
Other Segment Items	385.824	(6.647)	(6.645)	-	372.532
Capital Investment	-	-	-	-	-
Amortization	(20.672)	(6.647)	(5.440)	-	(32.759)
Impairment	-	-	(1.205)	-	(1.205)
Non-Cash Other Income-Expense (**)	406.496	-	-	-	406.496

(*) Corporate tax provision is not distributed.

(**) Non-Cash Other Income-Expense includes other income and expense accruals and provisions.

(***) Items of income and expense are the amounts for the period ended 30 September 2018.

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**SECTION FIVE
EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED
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I. EXPLANATIONS AND NOTES RELATED TO ASSETS

a. Information related to cash equivalents and balances with the Central Bank of the Republic of Turkey (The “CBRT”):

1. Information on cash equivalents and balances with the CBRT:

	Current Period 30 September 2019	
	TL	FC
Cash/Foreign Currency	114.103	335.818
The CBRT	462.206	1.821.738
Other (*)	-	21.742
Total	576.309	2.179.298

(*) As of 30 September 2019, account of Precious Metal is amounting to TL 21.742. As of 30 September 2019 the bank has no Money in Transit.

	Prior Period 31 December 2018	
	TL	FC
Cash/Foreign Currency	84.321	547.868
The CBRT	2.256.577	3.159.099
Other (*)	-	17.590
Total	2.340.898	3.724.557

(*) As of 31 December 2018, account of Precious Metal is amounting to TL 17.590. As of 31 December 2018, there is no Money in Transit.

2. Information related to balances with the CBRT:

	Current Period 30 September 2019	
	TL	FC
Unrestricted Demand Deposit	455.755	-
Unrestricted Time Deposit (*)	6.451	4.386
Restricted Time Deposit	-	-
Reserve Requirements	-	1.817.352
Total	462.206	1.821.738

(*) “Transactions Related to Foreign Currency Deposits in Turkish Lira Deposits” published by Central Bank of the Republic of Turkey as of 17 January 2017 are recorded in the balance sheet under cash assets and deposit accounts.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

	Prior Period 31 December 2018	
	TL	FC
Unrestricted Demand Deposit	534.189	1.347.271
Unrestricted Time Deposit (*)	1.722.388	502.714
Restricted Time Deposit	-	-
Reserve Requirements	-	1.309.114
Total	2.256.577	3.159.099

(*) “Transactions Related to Foreign Currency Deposits in Turkish Lira Deposits” published by Central Bank of the Republic of Turkey as of 17 January 2017 are recorded in the balance sheet under cash assets and deposit accounts.

3. Explanation on reserve deposits:

The banks operating in Turkey are subject to the Central Bank of the Republic of Turkey’s Communiqué numbered 2013/15 and are required to keep a deposit at the CBRT for their Turkish Lira, U.S. Dollar and/or Euro and standard gold.

As of 30 September 2019, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 1% - 7% (31 December 2018: 1,50% - 8%) for TL deposits and other liabilities and between 5% - 21% for FC deposits (31 December 2018: 4% - 20%).

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

1. Financial assets given as collateral/blocked and subject to repurchase agreements:

	Current Period 30 September 2019	
	Collateral/Blocked	-
Repurchase Agreement	-	-
Unrestricted	-	317.273
Total	-	317.273

	Prior Period 31 December 2018	
	Collateral/Blocked	-
Repurchase Agreement	-	-
Unrestricted	-	11.801
Total	-	11.801

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

2. Positive differences table related to trading derivative financial assets:

	Current Period 30 September 2019	
	TL	FC
Forward Transactions	-	308.289
Swap Transactions	453.054	290.292
Futures Transactions	-	-
Options	-	595.841
Other	-	-
Total	453.054	1.194.422

	Prior Period 31 December 2018	
	TL	FC
Forward Transactions	-	490.631
Swap Transactions	30.183	234.520
Futures Transactions	-	-
Options	-	245.793
Other	-	-
Total	30.183	970.944

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 September 2019	
	TL	FC
Banks		
Domestic	-	-
Foreign	-	549.519
Foreign Head Office and Branches	-	-
Total	-	549.519

As of September 30 2019, amount of TL 10 provision provided for the Bank account with adoption of TFRS 9.

	Prior Period 31 December 2018	
	TL	FC
Banks		
Domestic	-	-
Foreign	-	21.885
Foreign Head Office and Branches	-	-
Total	-	21.885

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

2. Information on foreign bank accounts:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

d. Information on financial assets fair value through other comprehensive income given as collateral/blocked and subject to repurchase agreements:

1. Financial assets given as collateral/blocked and subject to repurchase agreements:

	Current Period 30 September 2019
Collateral/Blocked	411.372
Repurchase Agreement	-
Unrestricted	584.384
Total	995.756

	Prior Period 31 December 2018
Collateral/Blocked	502.515
Repurchase Agreement	-
Unrestricted	8.614
Total	511.129

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

	Current Period 30 September 2019
Debt Securities	999.350
Quoted to Stock Exchange	999.350
Not Quoted	-
Share Certificate	-
Quoted to Stock Exchange	-
Not Quoted	-
Impairment Provision (-)	3.594
Total	995.756

	Prior Period 31 December 2018
Debt Securities	540.700
Quoted to Stock Exchange	540.700
Not Quoted	-
Share Certificate	-
Quoted to Stock Exchange	-
Not Quoted	-
Impairment Provision (-)	29.571
Total	511.129

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

e. Information related to loans:

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

	Current Period 30 September 2019	
	Cash	Non-cash
Direct Loans Granted to Shareholders	-	91.044
Corporate Shareholders	-	91.044
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	-	449.330
Loans Granted to Employees	13.597	-
Total	13.597	540.374

	Prior Period 31 December 2018	
	Cash	Non-cash
Direct Loans Granted to Shareholders	-	141.077
Corporate Shareholders	-	141.077
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	15.268	492.414
Loans Granted to Employees	11.960	-
Total	27.228	633.491

2. Information on the standard loans and loans under close monitoring including loans that have been restructured or rescheduled.

Cash Loans	Standard Loans	Loans under Close Monitoring		
		Loans not Subject to Restructuring	Restructured Loans Loans with Revised Contract Terms	Refinance
Non-specialized Loans⁽⁹⁾	11.883.497	2.309.058	2.001.137	-
Discount Notes	8.029.142	1.619.588	1.872.683	-
Export Loans	555.125	252.508	70.606	-
Import Loans	175.230	-	-	-
Loans Given to Financial Sector	441.935	48.087	-	-
Retail Loans	1.130.552	51.982	3.959	-
Credit Cards	1.551.513	336.893	53.889	-
Other	-	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	11.883.497	2.309.058	2.001.137	-

⁽⁹⁾ Includes the factoring receivables amounting to TL 160.982.

	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	99.110	-
Significant Increase in Credit Risk	-	723.367
Total	99.110	723.367

3. Breakdown of loans according to their maturities:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

4. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards:

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	21.511	988.485	1.009.996
Mortgage Loans	190	415.760	415.950
Automotive Loans	-	2.991	2.991
Consumer Loans	21.321	567.588	588.909
Other	-	2.146	2.146
Consumer Loans- Indexed to FC	-	444	444
Mortgage Loans	-	444	444
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	1.887.914	36.493	1.924.407
Instalment	658.590	36.493	695.083
Non Instalment	1.229.324	-	1.229.324
Individual Credit Cards-FC	6.958	-	6.958
Instalment	360	-	360
Non Instalment	6.598	-	6.598
Personnel Loans-TL	295	7.106	7.401
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	295	7.106	7.401
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	6.154	1	6.155
Instalment	2.926	1	2.927
Non Instalment	3.228	-	3.228
Personnel Credit Cards-FC	41	-	41
Instalment	-	-	-
Non Instalment	41	-	41
Overdraft Account-TL (Individual)	168.652	-	168.652
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	2.091.525	1.032.529	3.124.054

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Information on commercial instalment loans and corporate credit cards:

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	-	25.509	25.509
Mortgage Loans	-	20.997	20.997
Automotive Loans	-	-	-
Consumer Loans	-	4.512	4.512
Other	-	-	-
Commercial Instalment Loans- Indexed to FC	-	31.387	31.387
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	31.387	31.387
Other	-	-	-
Commercial Instalment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	3.602	-	3.602
Instalment	463	-	463
Non Instalment	3.139	-	3.139
Corporate Credit Cards-FC	1.132	-	1.132
Instalment	-	-	-
Non Instalment	1.132	-	1.132
Overdraft Account-TL (Commercial)	35.456	-	35.456
Overdraft Account-FC (Commercial)	-	-	-
Total	40.190	56.896	97.086

6. Loans according to types of borrowers:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

7. Distribution of domestic and foreign loans:

	Current Period 30 September 2019
Domestic Loans	16.118.087
Foreign Loans	75.605
Total (*)	16.193.692

(*) Includes the factoring receivables amounting to TL 160.982.

	Prior Period 31 December 2018
Domestic Loans	15.308.267
Foreign Loans	187.102
Total (*)	15.495.369

(*) Includes the factoring receivables amounting to TL 192.282.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

8. Loans granted to investments in associates and subsidiaries:

As of 30 September 2019 and 31 December 2018, the Bank has no loans granted to investments in associates and subsidiaries.

9. Specific provisions provided against loans:

	Current Period 30 September 2019
Loans with Limited Collectability	29.932
Loans with Doubtful Collectability	82.933
Uncollectible Loans	638.369
Total	751.234

	Prior Period 31 December 2018
Loans and Other Receivables with Limited Collectability	8.840
Loans and Other Receivables with Doubtful Collectability	31.109
Uncollectible Loans and Other Receivables	650.750
Total	690.699

10. Information on non-performing loans (Net):

10 (i). Information on non-performing loans and other receivables restructured or rescheduled:

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
Current Period: 30 September 2019			
Gross Amounts Before Provisions	11.304	58.415	21.849
Rescheduled Loans	11.304	58.415	21.849
Prior Period: 31 December 2018			
Gross Amounts Before Provisions	-	1.685	5.115
Rescheduled Loans	-	1.685	5.115

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

10 (ii). Information on the movement of total non-performing loans:

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Balance at the end of Prior Period: 31 December 2018	45.696	68.682	767.460
Additions (+)	225.884	1.777	349
Transfers from Other Categories of Non-Performing Loans (+)	-	181.010	93.666
Transfers to Other Categories of Non-Performing Loans (-)	181.010	93.666	-
Collections (-)	22.290	12.943	53.496
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: 30 September 2019	68.280	144.860	807.979
Provisions (-)	29.932	82.933	638.369
Net Balance in Balance Sheet	38.348	61.927	169.610

10 (iii). Information on non-performing loans granted as foreign currency loans:

As of 30 September 2019, there are no non-performing loans granted as foreign currency loans (31 December 2018: None).

10 (iv). Breakdown of gross and net values of the non-performing loans according to their beneficiary group:

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net): 30 September 2019	38.348	61.927	169.610
Loans granted to corporate entities and real persons (Gross)	68.280	144.860	807.979
Provisions Amount (-)	29.932	82.933	638.369
Loans granted to corporate entities and real persons (Net)	38.348	61.927	169.610
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): 31 December 2018	36.856	37.573	116.710
Loans granted to corporate entities and real persons (Gross)	45.696	68.682	767.460
Provisions Amount (-)	8.840	31.109	650.750
Loans granted to corporate entities and real persons (Net)	36.856	37.573	116.710
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	8.536	9	1
Interest Accruals and Rediscount with Valuation Differences	15.339	9	1
Provision amount (-)	6.803	-	-

11. Information on the collection policy of non-performing loans and other receivables:

For uncollectible loans, primarily, a reach for an agreement with the company and third parties (natural and/or legal) having guarantees subject to the risk is being sought and actions either aimed at liquidation of collateral in the loan risk warranty or aimed at proceedings without judgment are taken. In case of obtaining no result in consequence of these actions, liquidation subject to requirements within the framework of legal regulations designated by the Bank's top management occurs.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

12. Information on the write-off policy of the Bank:

The general policy of the Bank is oriented to the collection, whereas written off is applied exceptionally.

f. Explanations on financial assets measured at amortized cost:

1. Rep Information on financial assets given an collateral/blocked and subject to repurchase agreements and those:

As of 30 September 2019, the Bank has no financial assets measured at amortized cost given as collateral/blocked and subject to repurchase agreements (31 December 2018: None).

2. Information on Government debt securities held-to-maturity:

(i) Financial assets measured at amortized cost:

As of 30 September 2019, the Bank has no government debt securities measured at amortized (31 December 2018: None).

3. Information on financial assets measured at amortized cost:

As of 30 September 2019, the Bank has no financial assets measured at amortized cost (31 December 2018: None).

4. The movement of financial assets measured at amortized cost:

As of 30 September 2019, the Bank has no movements of financial assets measured at amortized cost within the period (31 December 2018: None).

g. Information on associates (Net):

The Bank has no associates as of 30 September 2019 and 31 December 2018.

h. Information on subsidiaries (Net):

1. Information on subsidiaries which are not included in the scope of consolidation:

a) Unconsolidated subsidiaries:

Title	Address (City/Country)	Bank's share percentage If different voting percentage (%)	Bank's risk group share percentage (%)
HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	100,00	0,00

b) Main financial figures of the subsidiaries, in the order of the above table ^(*):

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
2.523	590	-	-	-	1.932	1.843	-

^(*) Prepared with the non-reviewed financial statements as of 30 June 2019.

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2. Information on the consolidated subsidiaries:

HSBC Yatırım was established as Demir Yatırım on 23 December 1996. The merger of the Demir Yatırım and HSBC Yatırım was realized and the merger agreement was signed, with the Board of Directors decision, No. 222 and dated 6 December 2001 based on the authority given to the Board of Directors in accordance with General Assembly decision dated 30 October 2001. Also dissolution of HSBC Yatırım and change of the title of the new merged company to HSBC Yatırım Menkul Değerler A.Ş. was agreed and the merger of these two companies was accomplished as of 11 January 2002.

a) Consolidated subsidiaries:

Title	Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
HSBC Yatırım ve Menkul Esentepe Mahallesi Büyükdere Caddesi Değerler A.Ş.	No:128 Şişli 34394, İSTANBUL	99,87	0,13

b) Main financial figures of the subsidiaries, in the order of the above table ^(*):

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss ^(**)	Fair Value
105.924	88.028	1.509	11.623	2.393	31.792	21.752	-

^(*) Prepared with the reviewed consolidated financial statements as of 31 December 2018.

^(**) The prior period balances represent the non-reviewed amounts as of 31 December 2017.

3. Movement schedule of the consolidated subsidiaries:

	Current Period 30 September 2019
Balance at the Beginning of the Period	34.753
Movements During the Period	-
Purchases	-
Bonus Shares and Contributions to Capital	-
Dividends From Current Year Profit	-
Sales/Liquidation	-
Revaluation Increase	-
Increase/(Decrease) of Valuation	-
Balance at the End of the Period	34.753
Capital Commitments	-
Share Percentage at the End of the Period (%)	99,87

	Prior Period 31 December 2018
Balance at the Beginning of the Period	34.753
Movements During the Period	-
Purchases	-
Bonus Shares and Contributions to Capital	-
Dividends From Current Year Profit	-
Sales/Liquidation	-
Revaluation Increase	-
Increase/(Decrease) of Valuation	-
Balance at the End of the Period	34.753
Capital Commitments	-
Share Percentage at the End of the Period (%)	99,87

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

4. Sectoral information on financial subsidiaries and the related carrying amounts:

	Current Period 30 September 2019
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	34.753
	Prior Period 31 December 2018
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	34.753

5. Subsidiaries quoted on a stock exchange:

The Bank has no subsidiaries quoted on a stock exchange as of 30 September 2019 and 31 December 2018.

i. Information on jointly controlled entities:

- a. The Bank has no jointly controlled entities as of 30 September 2019 and 31 December 2018.
- b. As of 30 September 2019 and 31 December 2018, the accounting method is not determined since the Bank has no jointly controlled entities.

j. Information on financial lease receivables (Net):

As of 30 September 2019 and 31 December 2018, the Bank has no finance leases.

k. Information on hedging derivative financial assets:

The Bank has no hedging of derivative financial assets as of 30 September 2019 and 31 December 2018.

l. Explanations on property and equipment:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

m. Information on intangible assets:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

n. Information on the investment properties:

As of 30 September 2019 and 31 December 2018, the Bank has no investment properties.

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o. Explanations on deferred tax asset:

As of 30 September 2019, foreign currency deferred tax asset of the Bank is TL 218.448 (31 December 2018: TL 137.491). Temporary differences subject to deferred tax calculation result from mainly the differences between the book values, tax values and debts of fixed assets and financial assets, and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank, are netted-off and accounted. As of 30 September 2019, The Bank’s information regarding deferred tax have been explained in Note XX of Section Three.

p. Information on assets held for sale and related to discontinued operations:

As of 30 September 2019, assets held for sale of the Bank is TL 2.200 (31 December 2018: TL 1.369).

r. Information on other assets:

1. There are no further explanations of the Bank related to prepaid expenses, tax and other operations.

	Current Period 30 September 2019
Miscellaneous Receivables ^(**)	640.644
Prepaid Expenses	24.613
Debited Suspense Accounts	95.249
Other Rediscount Income	29.117
Total	789.623

^(*) Includes BIST and derivative securities.

^(**) As of 30 September 2019 amount of TL 5.417 provision provided for Miscellaneous Receivables with adoption of TFRS 9.

	Prior Period 31 December 2018
Miscellaneous Receivables ^(*)	498.100
Prepaid Expenses	39.932
Debited Suspense Accounts	77.122
Other Rediscount Income	28.654
Total	643.808

^(*) Includes BIST and derivative securities.

s. Information on receivables from forward sale of the assets classified in the miscellaneous receivables:

As of 30 September 2019 and 31 December 2018, the Bank has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

a. Information on deposits

1. Information on maturity structure of the deposits:

The Bank has no deposits with 7 days maturity and no cumulative deposits.

1(i). Current Period – 30 September 2019:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	293.649	-	2.064.457	1.327.804	127.327	68.390	150.905	-	4.032.532
Foreign Currency Deposits	3.337.228	-	4.986.691	7.707.851	404.209	129.982	113.418	-	16.679.379
Residents in Turkey	2.906.815	-	4.789.255	7.163.561	314.703	98.849	49.532	-	15.322.715
Residents Abroad	430.413	-	197.436	544.290	89.506	31.133	63.886	-	1.356.664
Public Sector Deposits	26.068	-	-	-	-	-	-	-	26.068
Commercial Deposits	355.471	-	1.560.030	1.021.924	81.499	136.960	150.170	-	3.306.054
Other Institutions Deposits	5.188	-	143	2	-	-	-	-	5.333
Precious Metal Deposit	955.711	-	21.533	164.696	2.089	5.175	-	-	1.149.204
Bank Deposits	78.175	-	48.029	-	-	-	-	-	126.204
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	78.175	-	48.029	-	-	-	-	-	126.204
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	5.051.490	-	8.680.883	10.222.277	615.124	340.507	414.493	-	25.324.774

1(ii). Prior Period - 31 December 2018:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	287.253	-	788.211	2.627.955	1.228.322	214.741	129.880	-	5.276.362
Foreign Currency Deposits	2.367.443	-	3.960.736	7.929.278	689.730	264.653	91.188	-	15.303.028
Residents in Turkey	2.042.331	-	3.838.899	7.402.054	588.283	224.949	40.674	-	14.137.190
Residents Abroad	325.112	-	121.837	527.224	101.447	39.704	50.514	-	1.165.838
Public Sector Deposits	2.416	-	-	-	-	-	-	-	2.416
Commercial Deposits	512.428	-	1.383.389	69.652	26.709	24	81.790	-	2.073.992
Other Institutions Deposits	4.237	-	189	2	-	-	-	-	4.428
Precious Metal Deposit	235.468	-	1.424	106.370	1.702	4.238	-	-	349.202
Bank Deposits	132.885	-	1.744.608	-	-	-	-	-	1.877.493
The CBRT	-	-	1.698.541	-	-	-	-	-	1.698.541
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	132.885	-	46.067	-	-	-	-	-	178.952
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.542.130	-	7.878.557	10.733.257	1.946.463	483.656	302.858	-	24.886.921

2. Information on saving deposits insurance:

2(i). Information on saving deposits under the guarantee of the Saving Deposits Insurance Fund and amounts exceeding the limit of the deposit insurance fund:

	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Current Period	Current Period
Saving Deposits	30 September 2019	30 September 2019
Saving Deposits	1.802.339	2.108.453
Foreign Currency Saving Deposits	2.394.946	11.747.281
Other Deposits in the Form of Saving Deposits	8.983	90.274
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-
Total	4.206.268	13.946.008

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	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Prior Period 31 December 2018	Prior Period 31 December 2018
Saving Deposits		
Saving Deposits	2.093.383	3.182.979
Foreign Currency Saving Deposits	1.983.620	9.517.816
Other Deposits in the Form of Saving Deposits	7.119	59.056
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-
Total	4.084.122	12.759.851

2(ii). Since the head office of the Bank is not located abroad, saving deposit in Turkey are not covered by the saving deposits insurance in another country.

2(iii). Saving deposits of individuals, which are not covered by the Saving Deposit Insurance Fund:

	Current Period 30 September 2019
Foreign Branches' Deposits and other accounts	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wardship	28.214
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26/09/2004	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities	-
	Prior Period 31 December 2018
Foreign Branches' Deposits and other accounts	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wardship	14.407
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26/09/2004	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 30 September 2019	
	TL	FC
Forward Transactions	-	183.808
Swap Transactions	455.398	393.186
Future Transactions	-	-
Options	-	596.584
Other	-	-
Total	455.398	1.173.578

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	Prior Period 31 December 2018	
	TL	FC
Forward Transactions	556	161.147
Swap Transactions	25.365	507.812
Future Transactions	-	-
Options	-	246.214
Other	-	-
Total	25.921	915.173

c. Information on funds provided under repurchase agreements:

As of 30 September 2019, the Bank has no funds provided under repurchase agreements (31 December 2018: None).

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 30 September 2019	
	TL	FC
Borrowings from the CBRT	-	-
Domestic Bank and Institutions	-	-
Foreign Banks and Institutions and Funds	719.754	5.507
Total	719.754	5.507

	Prior Period 31 December 2018	
	TL	FC
Borrowings from the CBRT	-	-
Domestic Bank and Institutions	-	-
Foreign Banks and Institutions and Funds	1.200.041	37.960
Total	1.200.041	37.960

2. Information on the maturity structure of funds borrowed:

	Current Period 30 September 2019	
	TL	FC
Short-Term	-	5.507
Medium and Long-Term	719.754	-
Total	719.754	5.507

	Prior Period 31 December 2018	
	TL	FC
Short-Term	-	37.960
Medium and Long-Term	1.200.041	-
Total	1.200.041	37.960

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3. Further information is disclosed for the areas of liability concentrations:

Bank diversifies its funding sources by customer deposits and loans from foreign countries.

e. Information on foreign other liabilities:

Other foreign liabilities of the Bank under “Other Liabilities” do not exceed 10% of the total liabilities.

f. Information on financial leasing agreements:

With the “IFRS 16 Leases” standard valid from 1 January 2019, the difference between operating leases and finance leases has been eliminated and the lease transactions have been expressed under the “Lease Payables” as liability by lessees.

	Current Period 30 September 2019
Less than 1 year	2.076
Between 1- 4 years	73.708
More than 4 years	59.245
Total	135.029

The Bank has no finance lease payables as of 31 December 2018.

g. Information on derivative financial liabilities for hedging purposes:

As of 30 September 2019, the Bank has no derivative financial liabilities for hedging purposes (31 December 2018: None).

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

h. Information on provisions:

1. Information on general provisions:

	Current Period 30 September 2019
Provisions for off-balance sheet commitments ⁽⁹⁾	15.318
	Prior Period 31 December 2018
General Provisions	404.760
Provisions for First Group Loans and Receivables	189.721
Provisions for Second Group Loans and Receivables	68.462
Provisions for Non-Cash Loans	40.759
Other	105.818

⁽⁹⁾ Before TFRS 9, the expected credit loss for stage 1 and 2 cash and non-cash loans and other financial assets is classified "General Provision" and credit loss for stage 3 non-cash loans is classified "Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "Other Provisions" column in the liabilities. With TFRS 9 transaction expected loss for cash loans and other financial assets are classified under assets.

2. Information on employee benefit provisions:

As of 30 September 2019, the Bank has employee termination benefit provision amounting to TL 57.212 (31 December 2018: TL 54.775), and unused vacation provision amounting to TL , 9.651 (31 December 2018: TL 8.653).

In accordance with existing Turkish Labour Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation.

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 6.379,86 (full TL) (31 December 2018: TL 5.434,42 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. TAS 19 requires actuarial valuation methods to be used in order to calculate Bank's liabilities.

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Bank is calculated from the ceiling amount valid from 1 July 2019, TL 6.379,86 (full TL) (31 December 2018: TL 5.434,42 (full TL)).

	Current Period 30 September 2019
As of January 1	54.775
Service Cost	2.824
Interest Cost	5.630
Actuarial Loss / (Gain)	(430)
Paid in Current Period	(5.587)
Total	57.212

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	Prior Period 31 December 2018
As of January 1	55.835
Service Cost	8.507
Interest Cost	5.642
Actuarial Loss / (Gain)	(3.046)
Paid in Current Period	(12.163)
Total	54.775

3. Information on provisions related to foreign currency difference on the principles of foreign indexed loans and finance lease receivables:

As of 30 September 2019, the bank has no provisions related to foreign currency difference on the principles of foreign currency indexed loans (31 December 2018: None).

4. Information on specific provisions for non-cash loans that is non-funded and non-transformed into cash:

As of 30 September 2019, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.972 (31 December 2018: TL 4.343).

5. Information on restructuring provisions:

As of 30 September 2019, provision for restructuring is amounting to TL 4.554 (31 December 2018: TL 49.459).

6. Information on other provisions:

6 (i). Information on free provisions for possible risks:

As of 30 September 2019, the Bank has no free provisions for possible risks (31 December 2018: None).

6 (ii). The names and amounts of sub-accounts of other provision under the condition of other provisions exceed 10% of total provisions:

	Current Period 30 September 2019
Provision for Lawsuits	35.206
Provision for Accumulated Credit Card Bonus	4.159
Return Provision of Case File Expenses	715
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.972
Other Provisions (*)	55.463
Total	97.515

(*) Other provisions amounting TL 15.318 with TFRS 9 stage 1 and stage 2 non-cash loans provision for expected losses and includes other provisions within TAS 37.

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	Prior Period 31 December 2018
Provision For Lawsuits	32.112
Provision for Accumulated Credit Card Bonus	4.623
Return Provision of Case File Expenses	1.284
Specific Provision for Non-Cash Loans that are Non-Funded And Non-Transformed into Cash	4.343
Other Provisions (*)	40.151
Total	82.513

(*) Includes other provisions within TAS 37.

i. Explanations on tax liability:

1. Explanations on current tax liability:

The corporate tax provisions calculation of the Bank is explained in Note XX of Section Three.

1(i). Information on taxes payable:

	Current Period 30 September 2019
Taxation on Marketable Securities	26.128
Banking Insurance Transaction Tax (BITT)	15.301
Value Added Tax Payable	1.060
Capital Gains Tax on Property	397
Foreign Exchange Transaction Tax	773
Corporate Taxes Payable	17.319
Other (*)	7.292
Total	68.270

(*) As of 30 September 2019, other taxes payable amount consists of payroll tax amounting to TL 6.438, stamp tax amounting to TL 216, other taxes amounting to TL 496, and self-employed income tax amounting to TL 142.

	Prior Period 31 December 2018
Taxation on Marketable Securities	19.282
Banking Insurance Transaction Tax (BITT)	16.657
Value Added Tax Payable	1.061
Capital Gains Tax on Property	348
Foreign Exchange Transaction Tax	-
Corporate Taxes Payable	-
Other (*)	8.777
Total	46.125

(*) As of 31 December 2018, other taxes payable amount consists of payroll tax amounting to TL 7.907, stamp tax amounting to TL 203 and other taxes amounting to TL 488, and self-employed income tax amounting to TL 179.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

1(ii). Information on premium payables:

	Current Period 30 September 2019
Social Security Premiums – Employer	3.465
Social Security Premiums – Employee	4.827
Bank Social Aid Pension Fund Premium – Employer	-
Bank Social Aid Pension Fund Premium – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Pension Fund Membership Fees and Provisions – Employee	-
Unemployment Insurance – Employer	686
Unemployment Insurance – Employee	338
Other	-
Total	9.316

	Prior Period 31 December 2018
Social Security Premiums – Employer	3.581
Social Security Premiums – Employee	4.205
Bank Social Aid Pension Fund Premium – Employer	-
Bank Social Aid Pension Fund Premium – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Pension Fund Membership Fees and Provisions – Employee	-
Unemployment Insurance – Employer	597
Unemployment Insurance – Employee	294
Other	-
Total	8.677

2. Information on deferred tax liability:

Information on the Bank’s deferred tax liability as of 30 September 2019 is explained in Note XX of Section Three.

j. Information on liabilities regarding assets held for sale and discontinued operations:

As of 30 September 2019 and 31 December 2018, the Bank has no liabilities regarding assets held for sale and discontinued operations.

k. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

1. Information on shareholder’s equity:

1. Presentation of paid-in capital:

	Current Period 30 September 2019
Common Stock Provision	652.290
Preferred Stock Provision	-

	Prior Period 31 December 2018
Common Stock Provision	652.290
Preferred Stock Provision	-

Amount of paid-in capital of the Bank is presented in nominal amount. As of 30 September 2019 capital reserve due to adjustment of the paid-in capital for inflation amounts to TL 272.693 has been classified under the other capital reserve sub-account (31 December 2018: Other capital reserve is amounting to TL 272.693).

2. Amount of paid-in-capital, explanations as to whether the registered share capital system is applied, if so, and the amount of registered share capital ceiling:

Registered share capital system is not applied.

3. Information on the share capital increases during the period, their sources and other information:

The Bank has not increased its share capital during the current period.

4. Information on share capital increases from capital reserves during the current period:

The Bank has no share capital increases from capital reserves during the current period.

5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period:

The Bank has no capital commitments.

6. The effects of anticipations based on the financial figures for prior periods regarding the Bank’s income, profitability and liquidity, and the anticipations regarding the uncertainty of these indicators on the shareholders’ equity:

The Bank tends to strengthen its shareholders’ equity according to the assessment of financial figures for prior periods regarding the Bank’s income, profitability and liquidity, and the anticipations regarding changes in the accounting standards.

7. Information on privileges given to shares representing the capital:

The Bank has no privileges given to shares representing the capital

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8. Information on valuation differences of marketable securities:

	Current Period 30 September 2019	
	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	8.883	-
Foreign Currency Difference	-	-
Total	8.883	-
	Prior Period 31 December 2018	
	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	(46.092)	-
Foreign Currency Difference -	-	-
Total	(46.092)	-

9. Information on revaluation value increase fund:

As of 30 September 2019 and 31 December 2018, the Bank has no revaluation value increase fund.

10. Information on shareholders having more than 10% share in capital and/or voting right:

With the decision taken at The Ordinary General Assembly meeting held on 26 March 2019, the bank has no capital increase during the current period. Within the framework of the resolution of the General Assembly, it was decided to transfer the profit of 2018 to extraordinary reserves.

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

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

	Current Period 30 September 2019
Asset Purchase and Sale Commitments	9.680.948
Commitments for Credit Card Limits	3.182.661
Commitments for Cheques	19.355
Loan Granting Commitments	524.030
Short Sale Commitments	-
Commitments for Credit Cards and Banking Services Promotions	13.909
Tax and Fund Liabilities from Export Commitments	2.286
Other Irrevocable Commitments	535.722
Total	13.958.911

	Prior Period 31 December 2018
Asset Purchase and Sale Commitments	3.155.182
Commitments for Credit Card Limits	3.398.789
Commitments for Cheques	21.519
Loan Granting Commitments	408.147
Short Sale Commitments	-
Commitments for Credit Cards and Banking Services Promotions	12.995
Tax and Fund Liabilities from Export Commitments	2.286
Other Irrevocable Commitments	565.650
Total	7.564.568

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

The Bank has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in “Off-balance sheet commitments”.

2 (i). Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period 30 September 2019
Letters of Guarantee	2.502.645
Letters of Credit	858.895
Bank Acceptances	368.582
Other Guarantees	362.720
Total	4.092.842

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(Continued)**

	Prior Period 31 December 2018
Letters of Guarantee	1.843.737
Letters of Credit	1.256.433
Bank Acceptances	203.137
Other Guarantees	354.958
Total	3.658.265

2 (ii). Certain guarantees, temporary guarantees, surety ships and similar transactions:

The Bank has no certain guarantees, temporary guarantees, surety ships and similar transactions except explained above in the section 2 (i).

3. Information on the non-cash loans:

3 (i). Total amount of non-cash loans:

	Current Period 30 September 2019
Non- Cash Loans Given for Cash Loan Risks Non- Cash Loans	-
With Original Maturity of One Year or Less	-
With Original Maturity of More Than One Year	-
Other Non-Cash Loans	4.092.842
Total	4.092.842

	Prior Period 31 December 2018
Non- Cash Loans Given for Cash Loan Risks Non- Cash Loans	-
With Original Maturity of One Year or Less	-
With Original Maturity of More Than One Year	-
Other Non-Cash Loans	3.658.265
Total	3.658.265

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3 (ii). Information on sectoral risk concentration within the non-cash loans:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

3 (iii). Information on the non-cash loans classified under Group I and Group II:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

b. Explanations on derivative transactions:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

c. Explanations on credit derivatives and risk exposures on credit derivatives:

None.

d. Explanations on contingent liabilities and assets:

Contingent assets are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 30 September 2019, there is no contingent assets to be disclosed.

Contingent liabilities are recognized if the probability of occurrence is probable and the liability can be measured reliably, whereas they are disclosed in the notes, if they cannot be measured reliably or the possibility of the occurrence is remote or does not exist.

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 September 2019, the total amount of these lawsuits filed against the Bank is TL 35.206 (31 December 2018: TL 32.112). A total provision of TL 715 (31 December 2018: TL 1.284) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favor, with TL 35.921 (31 December 2018: TL 33.396) being for provisions for refunds related to case document charges.

e. Explanations on fiduciary services rendered on behalf of third parties:

The Bank acts as an investment agent for the trading of marketable securities and provides custodian services on behalf of its customers.

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IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

a. Information on interest income:

1. Information on interest income received from loans:

	Current Period	
	30 September 2019	
	TL	FC
Interest Income on Loans ^(*)		
Short-Term Loans	1.186.446	54.013
Medium and Long-Term Loans	290.902	239.123
Interest on Loans Under Follow-Up	15.400	-
Resource Utilization Support Fund	-	-
Total	1.492.748	293.136

^(*) Fee and commission income from cash loans are included.

	Prior Period	
	30 September 2018	
	TL	FC
Interest Income on Loans ^(*)		
Short-Term Loans	1.027.033	27.472
Medium and Long-Term Loans	309.383	187.034
Interest on Loans Under Follow-Up	17.984	-
Resource Utilization Support Fund	-	-
Total	1.354.400	214.506

^(*) Fee and commission income from cash loans are included.

2. Information on interest income received from banks:

	Current Period	
	30 September 2019	
	TL	FC
From the CBRT ^(*)	60.420	-
From Domestic Banks	67.058	41
From Foreign Banks	2.185	10.050
Headquarters and Branches Abroad	-	-
Total	129.663	10.091

^(*) The interest income on Required Reserve amounting TL 38.871 is not included into interest income on Banks.

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	Prior Period 30 September 2018	
	TL	FC
From the CBRT (*)	307.974	201
From Domestic Banks	67.456	629
From Foreign Banks	279	3.411
Headquarters and Branches Abroad	-	-
Total	375.709	4.241

(*) The interest income on Required Reserve amounting TL 27.248 is not included into interest income on Banks.

3. Information on interest income on marketable securities:

	Current Period 30 September 2019	
	TL	FC
Financial Assets at Fair Value Through Profit or Loss	38.734	3.828
Financial Assets at Fair Value Through Other Comprehensive Income	62.940	-
Financial Assets Measured at Amortized Cost	-	-
Total	101.674	3.828

	Prior Period 30 September 2018	
	TL	FC
Financial Assets at Fair Value Through Profit or Loss	6.428	650
Financial Assets at Fair Value Through Other Comprehensive Income	66.997	-
Financial Assets Measured at Amortized Cost	-	-
Total	73.425	650

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

As of 30 September 2019 and 30 September 2018, the Bank has no interest income received from investments in associates and subsidiaries.

b. Information on interest expense:

1. Information on interest expense on funds borrowed (*):

	Current Period 30 September 2019	
	TL	FC
Banks		
The CBRT	-	-
Domestic Banks	-	-
Foreign Banks	142.842	71.874
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	142.842	71.874

(*) Fee and commission expense from cash loans are included.

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	Prior Period 30 September 2018	
	TL	FC
Banks		
The CBRT	-	-
Domestic Banks	21	1
Foreign Banks	65.188	131.278
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	65.209	131.279

(*) Fee and commission expense from cash loans are included.

2. Information on interest expense paid to associates and subsidiaries :

	Current Period 30 September 2019
Interest Expenses Given to Subsidiaries and Associates	6.026

	Prior Period 30 September 2018
Interest Expenses Given to Subsidiaries and Associates	2.630

3. Information on interest expense paid on securities issued:

The Bank has no interest expense paid on securities as of 30 September 2019 and 30 September 2018.

4. Maturity structure of the interest expense on deposits:

	Time Deposit							Total
	Current Period: 30 September 2019	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year	
Turkish Lira								
Interbank deposits	-	16.459	-	-	-	-	-	16.459
Saving deposits	-	129.914	337.847	57.462	21.876	24.235	-	571.334
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	319.071	69.143	3.408	7.461	20.094	-	419.177
Other deposits	-	193	1.282	-	-	-	-	1.475
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	-	465.637	408.272	60.870	29.337	44.329	-	1.008.445
Foreign Currency								
Foreign currency deposits	-	62.380	110.495	11.172	3.043	2.065	-	189.155
Interbank deposits	-	6.185	-	-	-	-	-	6.185
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	13	882	15	42	-	-	952
Total	-	68.578	111.377	11.187	3.085	2.065	-	196.292
Grand Total	-	534.215	519.649	72.057	32.422	46.394	-	1.204.737

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IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued)

Prior Period: 30 September 2018	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	11.962	-	-	-	-	-	11.962
Saving deposits	-	83.472	271.155	12.941	3.146	1.088	-	371.802
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	83.729	13.645	2.405	2	49	-	99.830
Other deposits	-	19	147	-	-	-	-	166
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	-	179.182	284.947	15.346	3.148	1.137	-	483.760
Foreign Currency								
Foreign currency deposits	-	36.364	120.098	11.977	4.113	694	-	173.246
Interbank deposits	-	37.019	-	-	-	-	-	37.019
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	42	817	7	22	-	-	888
Total	-	73.425	120.915	11.984	4.135	694	-	211.153
Grand Total	-	252.607	405.862	27.330	7.283	1.831	-	694.913

5. Information on interest given on repurchase agreements:

As of 30 September 2019, the Bank has interest given on repurchase agreements amounting to TL 10.668 (30 September 2018: TL 28.205).

6. Information on finance lease expenses:

As of 30 September 2019, the Bank has lease expenses amounting to TL 16.111 (30 September 2018: None).

7. Information on interest given on factoring payables:

The Bank has no interest given on factoring payables during the period ended on 30 September 2019 and 30 September 2018.

c. Explanations on dividend income:

As of 30 September 2019, the share of the Bank in the dividend distribution of its subsidiaries is TL 31.499 (30 September 2018: TL 20.730).

d. Information on trading income/loss (Net):

1. Trading income/loss (Net):

	Current Period 30 September 2019
Profit	37.996.799
Capital Market Transactions Income	191.410
Gain on Derivative Financial Transactions	5.335.809
Foreign Exchange Gains	32.469.580
Loss (-)	38.049.818
Capital Market Transactions Loss	141.852
Loss on Derivative Financial Transactions	5.443.069
Foreign Exchange Loss	32.464.897
Total (Net)	(53.019)

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IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT (Continued)

	Prior Period 30 September 2018
Profit	76.153.030
Capital Market Transactions Income	60.450
Gain on Derivative Financial Transactions	12.417.943
Foreign Exchange Gains	63.674.637
Loss (-)	76.514.571
Capital Market Transactions Loss	49.714
Loss on Derivative Financial Transactions	10.252.283
Foreign Exchange Loss	66.212.574
Total (Net)	(361.541)

e. Information on other operating income:

	Current Period 30 September 2019
Reverse of Previous Years Expenses (*)	198.027
Gain on Sale of Assets	698
Provision for Telecommunication Expense	2.324
Other Income	24.469
Total	225.518

(*) Consists of collections or cancellations made from amounts transferred to expense accounts through special provisions in the previous years.

	Prior Period 30 September 2018
Reverse of Previous Years Expenses (*)	151.601
Gain on Sale of Assets	2.508
Provision for Telecommunication Expense	1.418
Other Income	21.839
Total	177.366

(*) Consists of collections or cancellations made from amounts transferred to expense accounts through special provisions in the previous years.

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f. Impairment provisions related to loans and other receivables of the Bank:

	Current Period 30 September 2019
Expected Credit Loss	172.496
12 Months Expected Credit Loss (Stage 1)	12.649
Significant Increase in Credit Risk (Stage 2)	80.882
Non-performing Loans (Stage 3)	78.965
Marketable Securities Impairment Expense	7.518
Financial Assets at Fair Value Through Profit or Loss	7.385
Financial Assets at Fair Value Through Other Comprehensive Income	133
Investments in Associates, Subsidiaries and Held-to-Maturity	
Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Jointly Controlled Entities (Joint Ventures)	-
Other	-
Total	180.014

	Prior Period 30 September 2018
Specific Provisions for Loans and Other Receivables	187.433
Substandard Loans- Limited Collectability	25.304
Doubtful Loans	37.831
Uncollectible Loans	124.298
General Provision Expenses	40.547
Provision Expense for Possible Risks	1.205
Marketable Securities Impairment Expense	1.046
Financial Assets at Fair Value Through Profit or Loss	159
Financial Assets at Fair Value Through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Held-to-Maturity	
Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Jointly Controlled Entities (Joint Ventures)	-
Total	229.185

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g. Information related to other operating expenses:

	Current Period 30 September 2019
Reserve for Employee Termination Benefits	-
Bank Social Aid Provision Fund Deficit Provision	-
Impairment Expenses of Property and Equipment	-
Depreciation Expenses of Property and Equipment	42.592
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	18.234
Impairment Expenses of Equity participants for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Sale	-
Depreciation Expenses on Assets Held for Sale	27
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	164.771
Leasing Expenses on TFRS 16 Exceptions	14.174
Maintenance Licensing Expenses	36.819
Maintenance Expenses	16.138
Communication Expenses	10.746
Advertisement Expenses	31.363
Other Expenses	55.531
Loss on Sales of Assets	958
Tax, Duties, Charges and Funds Expenses	66.390
Saving Deposit Insurance Fund Expenses	28.714
Other ^(*)	171.241
Total	492.927

^(*) Audit and consultancy amount of TL 797, Arbitration Committee expenses amount of TL 804 and the other expenses TL 169.640, the total amount of TL 171.241 which is shown in the Other line.

	Prior Period 30 September 2018
Personnel Expenses ^(*)	310.786
Reserve for Employee Termination Benefits	1.196
Bank Social Aid Provision Fund Deficit Provision	-
Impairment Expenses of Property and Equipment	-
Depreciation Expenses of Property and Equipment	17.419
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	15.309
Impairment Expenses of Equity participants for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Sale	-
Depreciation Expenses on Assets Held for Sale	31
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	205.252
Operational Lease Expenses	54.547
Maintenance Licensing Expenses	34.334
Maintenance Expenses	19.115
Communication Expenses	12.882
Advertisement Expenses	12.282
Other Expenses	72.092
Loss on Sales of Assets	1.548
Tax, Duties, Charges and Funds Expenses	25.536
Saving Deposit Insurance Fund Expenses	24.494
Other ^(**)	138.834
Total	740.405

^(*) “Personnel Expenses” disclosed in “Information related to other operating expenses” and is presented separately, and not presented in “Other Operating Expense” in the income statement.

^(**) Audit and consultancy amount of TL 6.660, Arbitration Committee expenses amount of TL 1.678 and the other expenses TL 130.496, the total amount of TL 138.834 which is shown in the Other line.

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h. Explanation on income/loss before tax for the period for continued and discontinued operations:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

i. Information on tax provision for continuing and discontinued operations:

As of 30 September 2019, the Bank has corporate tax provision expense amounting to TL 97.154 (30 September 2018: TL 18.632 current tax provision expense) and deferred tax expense of TL 27.465 (30 September 2018: TL 58.884 expense).

j. Explanation on net profit/loss for the period for continued and discontinued operations:

There are no matters to be disclosed regarding operating profit/loss after tax.

k. Explanation on net profit and loss for the period:

1. Any further explanation on operating results needed for a proper understanding of the Bank’s performance:

Net interest income, amounting to TL 1.112.856 (30 September 2018: TL 1.192.717), net wage and commission income amounting to TL 306.118 (30 September 2018: TL 262.871) have an important role among the income items in the accounting period ending on 30 September 2019. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank’s interest income are the interests received from loans and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

2. The effect on the current period profit/loss of the changes in estimations related to financial statements made by the Bank, explanation if any effect of these changes in the subsequent periods:

No changes have been made in the accounting estimates, which may have a material effect in current period and materially affect subsequent periods.

l. Explanation on other items stated in the income statement:

Explanations on “Other fees and commissions received” in the income statement:

	Current Period 30 September 2019
Credit Card Transactions	200.900
Insurance Commissions	28.224
Commissions Received from Banking Transactions	9.304
Tefas Fund Platform	10.755
Other Fee and Commissions	38.702
Total	287.885

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	Prior Period 30 September 2018
Credit Card Transactions	168.939
Insurance Commissions	35.716
Commissions Received from Banking Transactions	28.492
Tefas Fund Platform	9.694
Other Fee and Commissions	25.052
Total	267.893

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS' EQUITY

a. Information on the current year adjustments made in accordance with the requirements of the accounting standard on financial instruments:

1. Decreases/increases after the revaluation of financial assets at fair value through other comprehensive income:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

2. Information on increases in cash flow hedges:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

b. Information on adjustments made for the application of standard on accounting for financial instruments in the current year:

1. Information on financial investments at fair value through other comprehensive income:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

2. Information on cash flow hedges:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

c. Information on dividend distribution:

None.

d. Information on issuance of common stock:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

e. Effects of the adjustments to prior periods on the opening balance sheets:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

f. Offsetting prior period’s losses:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

a. Explanations about other cash flow items and the effect of changes in foreign exchange rates on cash and cash equivalents:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

b. Information on cash flow arising from acquisition of associates, subsidiaries and other investments:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

c. Information on disposals of associates, subsidiaries or other investments:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

d. Information on cash and cash equivalents:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

e. Additional information:

None.

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

1. Volume of transactions with the Bank’s risk group, lending and deposits outstanding at the period end and income and expenses in the current period:

Current Period – 30 September 2019

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Opening Balance	-	102	15.268	633.491	-	-
Closing Balance	-	103	-	540.374	-	-
Interest and Commission Income	-	-	2.185	888	-	-

Prior Period - 31 December 2018:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	179	5.338	560.551	-	-
Closing Balance	-	102	15.268	633.491	-	-
Interest and Commission Income ^(*)	-	-	215	1.234	-	-

^(*) The prior period balances present amounts of 30 September 2018.

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VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP (Continued)

2. Deposits held by the Bank’s risk group:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period 30 September 2019	Current Period 30 September 2019	Current Period 30 September 2019
Deposit			
Opening Balance	19.867	92.407	13.244
Closing Balance	38.417	98.641	18.151
Interest expense on deposits	6.026	-	438

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period 31 December 2018	Prior Period 31 December 2018	Prior Period 31 December 2018
Deposit			
Opening Balance	21.499	57.602	11.837
Closing Balance	19.867	92.407	13.244
Interest expense on deposits ^(*)	2.630	-	295

^(*) The prior period balances present amounts of 30 September 2018.

3. Information on forward transactions, option agreements and similar transactions between the Bank’s risk groups:

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period 30 September 2019	Current Period 30 September 2019	Current Period 30 September 2019
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	18.861.471	-
Closing Balance	-	33.127.196	-
Total Profit/Loss	-	154.299	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period 31 December 2018	Prior Period 31 December 2018	Prior Period 31 December 2018
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	60.853.334	-
Closing Balance	-	18.861.471	-
Total Profit/Loss ^(*)	-	2.235.686	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss ^(*)	-	-	-

^(*) The prior period balances present amounts of 30 September 2018.

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VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP (Continued)

4. Explanations on total remuneration and other benefits, which are paid by the Bank to top executives of the Bank:

As of 30 September 2019, payment is made to the Board of Directors and top executives of the Bank amounting to TL 24.544 (30 September 2018: TL 15.749).

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

Information on the Bank’s domestic and foreign branches and foreign representatives of the Bank:

Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

The unconsolidated financial statements for the period ended 30 September 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor’s audit report dated 1 November 2019 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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SECTION SEVEN

INTERIM ACTIVITY REPORT

**I. INTERIM ACTIVITY REPORT WHICH WILL INCLUDE EVALUATIONS FROM
CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER
RELATED TO ACTIVITIES IN THE INTERIM PERIOD**

GENERAL INFORMATION

1. Summary information about HSBC Bank A.Ş.

HSBC Bank was established as Midland Bank Anonim Şirketi in Istanbul in 1990 and changed its title to HSBC Bank Anonim Şirketi in 1999.

HSBC Bank, which has been operating in the corporate banking field and capital markets since establishment, started providing personal banking services after 1997.

HSBC Bank expanded its products and services range with a branch network after HSBC Bank Plc. acquired Demirbank T.A.Ş. and its selected affiliates in September 2001 and merged with HSBC Bank A.Ş. in December 2001.

HSBC Bank provides services within fields such as Corporate Banking and Investment Banking, Retail Banking and Savings Management and Private Banking with its branches, telephone banking, ATM banking, and digital banking channels.

Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

2. Capital and shareholding structure

The Bank has made no changes in their capital and shareholding structure as well as its shareholders who directly or indirectly; individually or as a group has an influence over the Bank's audit and management, as of the accounting period ended on 30 September 2019. HSBC Middle East Holdings B.V. has a shareholding rate of 89,99% and HSBC Bank Middle East Limited has 10,01% shareholding rate of the Bank's shares. HSBC Bank A.Ş.'s Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of 30 September 2019, HSBC Bank A.Ş.'s paid-in capital is TL 652.290 Thousand and its capital structure is as follows:

Shareholder's Name and Surname/Title	Number of shares	Share amount (TL)
Publicly offered	-	-
Non-publicly offered	65.229.000.000	652.290.000
HSBC Middle East Holdings B.V.	58.699.577.100	586.995.771
HSBC Bank Middle East Limited	6.529.422.600	65.294.226
HSBC Group Nominees UK Limited	100	1
HSBC Latin America Holdings (UK) Limited	100	1
HSBC Overseas Holdings (UK) Limited	100	1
Total	65.229.000.000	652.290.000

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3. Information on Branches and Personnel

As of 30 September 2019, the Bank has 80 branches dispersed throughout the country (31 December 2018: 82 branches). As of 30 September 2019, the number of employees of the Bank is 2.073 (31 December 2018: 2.205).

4. Amendments made to the articles of association during the period

HSBC Bank A.Ş.'s Articles of Association had no changes in 1 January – 30 September 2019 period.

5. Chairman and Members of the Board of Directors

HSBC Bank A.Ş. Board of Directors as of 30 September 2019:

Name and Surname	Title
David Gordon Eldon	Chairman
Hamit Aydoğan	Chairman Deputy
Süleyman Selim Kervancı	Member, CEO
Robert Adrian Underwood	Member
Mehmet Gani Sönmez	Member
Edward Michael Flanders	Member
Neslihan Erkazancı	Member
Martin François Christian Tricaud	Member

6. Audit Committee

HSBC Bank A.Ş. Audit Committee was selected from members of the Board of Directors and consists of one chairman and one member who do not have operational duties.

Name and Surname	Title
Robert Adrian Underwood	Head of the Audit Committee
Neslihan Erkazancı	Member of the Audit Committee

Audit Committee, on behalf of HSBC Bank A.Ş. Board of Directors, is in charge and responsible for supervising efficiency and competency of the Bank's internal systems, operation of such systems and accounting and reporting systems within the framework of Banking Law and relevant regulations, and also supervising the consistency of the information provided, making the necessary pre-assessments related to the selection of evaluations and support service institutions by the Board of Directors and regularly following the activities of such institutions, which were selected and made in agreement with the Board of Directors, and maintaining and coordinating the consolidation of internal audit activities of partnerships subject to consolidation as per the regulations with regard to the Banking Law.

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7. Executive Management

HSBC Bank A.Ş. Executive Management as of 30 September 2019:

Name and Surname	Title	Area of Responsibility
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Anthony Wright	Executive Vice President	Credit and Risk
Yiğit Arslancık	Executive Vice President	Corporate and Investment Banking
Ayşe Yenal	Executive Vice President	Retail Banking
Burçin Ozan	Executive Vice President	Finance
Rüçhan Çandar	Deputy CEO	Technology and Services
Funda Temoçin Aydoğan	Executive Vice President	Human Resources
İbrahim Namık Aksel	Executive Vice President	Treasury and Capital Markets
Fatoş Pınar Fadilloğlu	Executive Vice President	Corporate Communication
Tolga Tüzüner	Head Legal Advisor	Legal

8. HSBC Bank's Financial Power Rating

According to Moody's Credit Rating Institution's evaluations, HSBC Bank A.Ş.'s rating as of 30 September 2019 is as follows:

Definitions	Rating
Baseline Credit Assessment	caa2
Outlook	Negative
Long-term foreign currency deposit rating	B3
Long-term TL deposit rating	B3
Short-term foreign currency deposit rating	NP
Short-term TL deposit rating	NP
Long-term national scale TL deposit	Baa2.tr

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9. Summary of unconsolidated financial information for the period

HSBC Bank A.Ş. introduces customers to international market opportunities, continues to create value for them and support them in expanding our customers' business using our global network, knowledge and expertise. The synergy Bank have created with our customers and grow together with our customers and to Turkey's economy has continued to add value to the banking sector.

According to unconsolidated financial statements, for the period ending on 30 September 2019, HSBC Bank A.Ş.'s total assets realised at 33 billion TL increased by 1% compared to the end of 2019. Loans, which form nearly 47% of the assets, seem to be around 15.6 billion TL gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around 25 billion TL and formed 77% of liabilities. The balance sheet's unconsolidated items groups' period-end balances on the relevant dates are shown below.

ASSETS (Thousand TL)	30.09.2019
Financial Assets (Net)	15.991.831
Other Financial Assets Measured at Amortized Cost	15.641.100
Non-Current Assets or Disposal Groups "Held for Sale" and "Held from Discontinued Operations" (Net)	2.200
Equity Investments	34.973
Property and Equipment (Net)	238.561
Intangible Assets (Net)	152.424
Investment Property (Net)	-
Current Tax Asset	-
Deferred Tax Asset	218.448
Other Assets	789.623
Total Assets	33.069.160
LIABILITIES (Thousand TL)	30.09.2019
Deposits	25.324.774
Funds Borrowed	725.261
Money markets	-
Securities Issued (Net)	-
Funds	-
Financial Liabilities at Fair Value Through Profit or Loss	-
Derivative Financial Liabilities	1.628.976
Factoring Liabilities	-
Lease Liabilities	135.029
Provisions	168.932
Current Tax Liability	77.586
Deferred Tax Liability	-
Liabilities Related to Non-Current Assets "Held For Sale" and "Held from Discontinued Operations"(Net)	-
Subordinated Debt	1.246.318
Other Liabilities	716.504
Shareholders' Equity	3.045.780
Total Liabilities	33.069.160

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ASSETS (Thousand TL)	31.12.2018
Financial Assets (Net)	16.045.765
Other Financial Assets Measured at Amortized Cost	15.686.508
Non-Current Assets or Disposal Groups "Held for Sale" and "Held from Discontinued Operations" (Net)	1.369
Equity Investments	34.973
Property and Equipment (Net)	100.411
Intangible Assets (Net)	150.911
Investment Property (Net)	-
Current Tax Asset	10.103
Deferred Tax Asset	137.491
Other Assets	643.808
Total Assets	32.811.339
LIABILITIES (Thousand TL)	31.12.2018
Deposits	24.886.921
Funds Borrowed	1.238.001
Money markets	-
Securities Issued (Net)	-
Funds	-
Financial Liabilities at Fair Value Through Profit or Loss	-
Derivative Financial Liabilities	941.094
Factoring Liabilities	-
Lease Liabilities	-
Provisions	600.160
Current Tax Liability	54.802
Deferred Tax Liability	-
Liabilities Related to Non-Current Assets "Held For Sale" and "Held from Discontinued Operations"(Net)	-
Subordinated Debt	1.545.585
Other Liabilities	611.189
Shareholders' Equity	2.933.587
Total Liabilities	32.811.339

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Information related to HSBC Bank's unconsolidated income statement for 30 September 2019 and 30 September 2018 were shown below with the changes.

STATEMENT OF INCOME (Thousand TL)	30.09.2019
Net Interest Income	1.112.856
Other Non-Interest Income	510.116
Total Operating Income/Expense	1.622.972
Other Operating Expenses (-)	849.609
Provision for Loan Losses (-)	192.674
Net Operating Income/(Loss)	580.689
Tax Provision (-)	(124.619)
NET PROFIT/LOSS FOR THE PERIOD	456.070
STATEMENT OF INCOME (Thousand TL)	30.09.2018
Net Interest Income	1.192.717
Other Non-Interest Income	99.426
Total Operating Income/Expense	1.292.143
Other Operating Expenses (-)	740.405
Provision for Loan Losses and Other Receivables (-)	229.185
Net Operating Income/Loss	322.553
Tax Provision (-)	(77.516)
NET PROFIT/LOSS FOR THE PERIOD	245.037

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Message from David Eldon, Chairman

Message from the Chairman

Global growth has weakened amongst rising uncertainty. GDP growth is subdued and global trade is contracting. Deepening trade policy tensions are weighing heavily on confidence and investment. Downside risks include a now delayed and possibly no-deal Brexit, policy uncertainty in Europe, a failure of policy stimulus to prevent a sharper slowdown in China and financial vulnerabilities between slowing growth, high debt and deteriorating credit quality. On the upside, decisive actions by policymakers to reduce policy-related uncertainty and geopolitical tensions and including measures that reduce barriers to trade, would improve confidence and investment around the world. Our forecast for global GDP growth in 2019 has been changed to 2.6% from 2.7% and 2020 forecast has been revised to 2.5% from 2.7%.

In the third quarter, The Eurozone continued to move through a protracted period of sluggish economic growth and low inflation. Service sector indicators have remained resilient over the past quarter, while manufacturing fell further. Unemployment continued to fall despite the economic slowdown. After a strong start to 2019, the German economy shrank by 0.1% q-o-q in Q2, on the back of weak net export, and the outlook is not favourable. The key downside risks to the Eurozone economy relate to the global environment and a no-deal Brexit. Owing to the recession in Germany and a sluggish recovery, we cut our 2020 Eurozone growth forecast to 0.7% from 1.1%. For 2021 we forecast a modest recovery, but only back to 1.0%.

Turkey's macroeconomic indicators generally provided a positive background for its markets in the third quarter. 12-month CPI inflation fell further to 9.3% in September from 15.0% in August due mainly to base effect considerations. Falling inflation and favourable inflation outlook enabled the Central Bank to cut the policy rate by 750 bps to 16.50% in the third quarter. Meanwhile, the continued contraction in imports and strong performance of tourism revenues led a continued improvement in current account balances. 12-month rolling current account surplus rose by USD 0.6bn to USD 5.1bn in August. On the economic activity front, thanks to falling loan rates, the recovery in economic activity continued in Q3 without creating imbalances in external balances. While the Turkish economy contracted by 1.5% in year-on-year terms in Q2, it expanded by 1.2% on a sequential basis. The recent data releases, like home sales and manufacturing PMI point to a continued recovery in economic activity in Q3. We expect easing financial conditions to contribute growth in the upcoming quarters.

Our financial performance in the third quarter has indicated that we are on the right track on our growth strategy journey in 2019. Despite challenging market conditions; as HSBC Bank A.Ş., we continue to create value for our customers, shareholders and employees through managing our risks in line with our strategy.

I would like to thank our clients, our colleagues, the Management Team, and the Board for their trust, support and continuing commitment to HSBC.

Sincerely,

David Gordon Eldon
Chairman

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Message from Süleyman Selim Kervancı , CEO

Message from the CEO

After slowing sharply in the first half of 2019, the pace of global economic activity remains weak. Momentum in manufacturing in particular, has weakened substantially. Rising trade and geopolitical tensions are taking a toll on business confidence, investment decisions and global trade.

Turkey's economic activity continued its recovery in Q3, after the quarter on quarter growth rates recorded in the first two quarter of the year. The economy grew by 1.2% in Q2 following a 1.6% growth in Q1. The manufacturing PMI reaching 50 as of September, the jump in home and automobile sales thanks to easing financial conditions are among the indicators suggesting Turkey's economy will likely avoid a negative growth rate this year. Meanwhile, still mild domestic demand, base effects and relatively stable Lira brought a sharp decline in inflation in Q3. Annual consumer price inflation fell further to 9.3% in September from 15.7% at the end of the second quarter. Notably below-trend domestic demand continued to support further improvement in current account balances. 12-month rolling current account balance improved to USD 5.1bn surplus as of August from a deficit of USD 27bn recorded in 2018. Stable Lira thanks to favourable current account balances and Fed rate cuts, falling inflation and positive inflation outlook led a decline in the central bank policy rate, supporting the ongoing recovery.

Looking at the banking sector, net profits totaled to TRY 32.8bn (USD 5.9bn) in August 2019 recording a 13.7% decline y/y compared to August 2018. The total assets of Turkey's banking sector amounted to around TRY4.3trn (USD 732.9bn) as of August 2019, down by 4,9% y/y. Loans decreased by 6,1% y/y to TRY 2.5trn (USD 435.4bn), whilst deposits at the country's lenders climbed 5,7% over the same period, totaling to TRY 2.3trn (USD 404.0bn). The ratio of non-performing loans to total cash loans was 4,65% in End-August2019, surging by 0,77% as compared to 3,88% in End-December 2018. The moderate recovery in the Turkish economy would support Banking sector outlook.

In 3Q19, our operating income went up by 25.6% from 3Q18 to TRY 1.6bn, while total operating expenses increased by 14.7% from 3Q18, to TRY 850mn. HSBC Turkey recorded a profit before tax of TRY 581mn as of 3Q19. Our cost/income ratio was 52.3%. The loan portfolio increased by 5.1% over YE18, to TRY 17.2bn, and deposits increased 1.8% over YE18, to TRY 25.3bn. NPL ratio was 5.9% at end-September 2019, and the capital adequacy ratio was 19.95%, above the Banking Regulation and Supervision Agency target minimum ratio of 12%.

As HSBC Bank A.Ş., we continue to increase our revenues consistently in the third quarter of 2019, the year when we made a strong start. In line with our growth strategy; we continue to create value for our economy and customers through our international brand, products & services and employees. After the launch of our refreshed Premier Proposition in the second quarter of this year, we continued to organize events and campaigns in the third quarter to enhance a complete and top notch customer experience. Besides our investment plans for employee well-being and performance, we continued our work on the digital arena in our aspiration to provide seamless digital experience for our customers and employees.

I would like to thank my management team and all of our colleagues for their commitment and dedication, as well as our customers and shareholders for giving us their confidence and trust.

Sincerely,

Süleyman Selim Kervancı
Chief Executive Officer

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10. Additional Information on Period Between 01.01.2019-30.09.2019

None.

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