

## Basic Information Document and Prior Information Form

### Turkish Lira Treasury Bills – Government Bonds

This document has been prepared to provide information about Turkish Lira Treasury Bills- Government Bonds product. This document is not a sales or marketing document. This document has been prepared to ensure that investors comprehend potential risks and fundamental features of the product. We recommend that investors take a decision after reading this document.

#### About Turkish Lira Treasury Bills- Government Bonds

Turkish Lira Treasury Bills and Government Bonds are government debt instruments denominated in TL, issued by Turkish Treasury. While T-Bills have maturities of less than 1 year, government bonds have maturities of 1 year or more.

Treasury Bills are discounted securities issued with a maturity of less than one year. Government Bonds are issued with a maturity of one year or more. They are usually coupon paying bonds; however discounted government bonds may also exist. The coupon interest may be fixed, floating or indexed. Payments may be quarterly, semi-annual or annual.

#### Investment Purpose of Treasury Bills – Government Bonds

Since Treasury Bills and Government Bonds issued by Turkish Treasury represent the government's own debt, in cases where these securities are held till maturity, Turkish Treasury is liable to pay nominal amount (face amount) and interest.

Treasury Bills or Government Bonds can be redeemed within secondary markets before their maturity depending on current market conditions.

#### About Risk and Return Profile of Treasury Bills – Government Bonds

TL denominated Treasury Bills/Government Bonds is compatible with the risk profile of customers who are willing to take “**High Risk**”. Products with “High Risk” risk profile have higher probability of price fluctuations since they involve higher investment risk. Turkish Lira Treasury Bills/Government Bonds may enable higher income yield compared to Very Low Risk and Low Risk level products. However, they also have higher probability of capital loss compared to Very Low Risk and Low Risk level products.



No Investment Risk	Very Low Risk	Low Risk	Moderate Level Risk	<b>High Risk</b>	Very High Risk
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#### Fees and Commissions

A maximum commission rate of **1%** may be applied for Treasury Bill and Government Bond subscription/redemption orders. A maximum commission rate of **0.20%** may be applied for Treasury Auction participations.

As storage fee **0.005%** over principal amount is collected on behalf of your executed Government Bonds / Treasury Bills transactions for Central Registry Agency ("CRA"). All these specified fees and commissions are transferred to CRA as income.

#### Tax

The tax schedule for Treasury Bills/Government Bonds capital gains and interest incomes applicable to fully taxpayer individuals are summarized below:

Interest Income Earned from Treasury Bills/Government Bonds	Capital Gain of Treasury Bills/Government Bonds
Subject to withholding tax at the rate of 10%.	Subject to withholding tax at the rate of 10%.
Withholding tax is the final taxation.	Withholding tax is the final taxation.
Not subject to declaration.	Not subject to declaration.

Applied taxes for the Treasury Bills/Government Bonds capital gains and interest incomes generated by fully and limited taxpayer corporates\* are explained below.

Interest Income Earned from Treasury Bills/Government Bonds	Capital Gain of Treasury Bills/Government Bonds
Subject to withholding tax (Rate 0%).	Subject to withholding tax (Rate 0%).
Subject to Corporate Income Tax	Subject to Corporate Income Tax

**Customer Name Surname:**

**Date:**

**Customer Signature:**

*\*Foreign companies that are similar with joint-stock company, limited liability company, commandite company with shared capital established in Turkey and foreign corporate investors such as limited partnership, country funds, institution and organization funds and investment companies who aim to earn security and capital market income, value increase income and to use the rights connected with these (Otherwise 10%)*

Security Transfers of Treasury Bills and Government Bonds are subject to withholding tax if sender is different from the receiver.

### Government Bonds / Treasury Bills Subscription-Redemption Principles

- For Treasury Bills/Government Bonds, minimum transaction amount is TRY1000 in nominal.
- On workdays, Treasury Bills/Government Bonds subscription orders given between 10:00-14:00 are executed within the same day; subscription orders given after 14:00 are executed on the next following day if the securities are not within the Bank's portfolio.
- On workdays, Treasury Bills/Government Bonds redemption orders given between 09:30-16:30 are executed within the same day.
- On behalf of our customers Treasury Bills / Government Bonds subscription/redemption orders are carried out from the Bank's portfolio.
- Treasury Bills/Government Bonds are registered and monitored in the account opened at individual owner basis by CRA (Central Registry Agency) in dematerialized form.
- As issuer, Republic of Turkey is obliged to pay the principal amount and coupon payments of Treasury Bills/Government Bonds.
- Treasury Bills/Government Bonds subscription/redemption orders can be given through HSBC Bank A.S. branches.
- Eurobond Treasury Auction participation orders can be given through HSBC Bank A.S. branches.
- The current value of Treasury Bills/Government Bonds can be accessed through HSBC Bank A.S. branches, Telephone Banking and Internet Banking.

### Fundamental Risks of Treasury Bills / Governments Bonds

**Market Risk:** Due to the fluctuations in the price of financial assets, the portfolio value may decrease and because of that reason investor may experience a loss in capital.

**Interest Rate Risk:** Market interest rates have a direct impact on fixed income securities. When interest rates

rise, Treasury Bills/Government Bonds prices typically fall, which may cause capital loss.

**Counterparty Risk:** Investors may have total or partial loss of the invested capital due to the bankruptcy or to the weakening financial status of the counterparty.

**Liquidity Risk:** In secondary markets, there is risk for investors who cash out their investment products. Liquidity risk is the risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value.

**Country Risk:** : The economic, politic and social structure of a country (where the investment is made) in addition to interest rate and exchange rate policies may have impact on the price of the investment product. These risks which can be defined as local risks could be currency restrictions, transfer risks, moratorium, tax regulations etc. Moreover, there can be fluctuations in the price of Treasury Bills/Government Bonds because of the global economic and politic effects.

**Operational Risk:** The risk that can be based on, directly or indirectly, the inadequate internal processes, people, systems and/or external agents. Investment process is being overseen by internal control and risk management. Additionally, this process is being audited by regulatory authorities.

**Credit Risk:** Issuers of bonds and bills may not be able to repay principal and interest amount *on* due date and become default. This risk is higher for corporate bonds compared to government bonds.

**Other Investment Product Risks:** Investment products are not deposits. They are not under guarantee or insurance or any liability of HSBC Bank A.Ş. or other related institutions. Investment products are not insured by any government. Investment products have various risks including capital loss. The past performance of an investment product is not a guarantee for future returns, prices may increase or decrease. Investment products denominated in foreign currencies may be exposed to currency risk and may have capital loss due to fluctuations in exchange rates. All risk regarding the investment products belong to the customer. HSBC is the intermediary for the customer to buy or sell the product and it does not advise or recommend to buy or to sell the product and it does not provide investment consultancy or portfolio management services. Net return may vary due to fluctuations in exchange rates. Expected return may not be obtained.

**Customer Name Surname:**

**Date:**

**Customer Signature:**

It is possible to cash out Treasury Bills/Government Bonds before maturity; however since they will be cashed out with current market prices, investor takes interest rate and market risk. The selling price might be less than the purchase price, this might cause capital loss. Therefore, it may not be a suitable investment for investors who might need immediate cash. Therefore, your risk profile and appetite should be suitable for this product.

In compliance with CMB Regulations, HSBC Bank A.S. takes necessary measures by creating the organizational set-up and resolution processes to prevent all means of conflict of interest.

#### **Guarantee Amount of Investor Compensation Center**

Treasury Bills- Government Bonds products are under the protection of Investor Compensation Center upto a predetermined announced amount for each investor in accordance with Capital Markets Board regulations. This amount is increased each year by revaluation coefficient. Individuals and institutions excluded from the compensation scope are not subject to this guarantee.

#### **Withdrawal Right**

This product cannot be withdrawn.

#### **Restrictions on Sale of Investment Products to the Residents of US and Canada**

According to international and HSBC Group regulations mutual funds could not be offered to the customer who is classified and defined as a U.S. resident (includes residents of the United States of America and all states, the District of Columbia, American Samoa, Puerto Rico, Guam, The Commonwealth of the Northern Mariana Islands, and the US Virgin Islands) or Canadian residents. Our customers should inform HSBC Bank A.S. and/or HSBC Securities A.S. immediately in case of becoming U.S. or Canada resident.

#### **Not an Investment Advisory**

The readers should be aware that they are self-responsible for evaluating and analysing the underlying instruments, investments and transactions in this document and the information herein should not be considered as investment recommendation.

The information and details provided in this Basic Information Form and Prior Information Document should not be considered as investment recommendation. Investment advisory services are provided to individuals by taking into account their risk and return preferences. This product may not be suitable for your risk and return preferences and financial status.

Investment decision solely based on information provided in this document may not meet all initial targets. HSBC Group is not responsible for advising on the topics related to law and tax or any other fields that needs expertise.

This document does not provide any opinion on value or suitability of any investment instrument.

An investment may not meet all initial targets and conditions and in case of a hesitation it is recommended to ask for opinions and advices from professional investment consultants.

#### **Legal Warning**

HSBC Bank A.S is authorized by Banking Regulation and Supervision Agency (BRSA) for banking activities and is authorized by Capital Market Board (CMB) for capital market activities and is subject to supervision and scrutiny by those institutions. HSBC Bank A.S. is member of Borsa Istanbul A.S. to make transactions on markets authorized by Borsa Istanbul A.S.

HSBC Bank A.S does not accept any responsibility regarding above information on tax issues. There may be legal and tax risks regarding the transaction; therefore it is recommended to seek guidance from legal and tax advisers to assess such risks.

#### **General Information**

The product's risks should be considered before investing in Treasury Bills/Government Bonds. All these conditions specified in this document can change in the future. This document is for product and/or service presentation and it cannot be partially or completely replicated or distributed without HSBC Bank A.S.'s permission or any legal obligation.

By signing this document you will be accepted as you have taken, read and understood the terms, provisions and information in the Basic Information Document and Prior Information Form of Treasury Bills/Government Bonds you have demanded and whose descriptions can be found above.

This document is issued as bilingual and in case of any dispute Turkish version shall prevail.

A copy of the Basic Information Document and Prior Information Form is given to you.

**Customer Name Surname:**

**Date:**

**Customer Signature:**