HSBC BANK A.Ş.

PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH AUDIT REPORT AT DECEMBER 31, 2020

(Convenience translation of publicly announced consolidated financial statements, related disclosures and independent auditor's report originally issued in Turkish, See note I. of Section Three)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

(Convenience translation of publicly announced consolidated financial statements and independent auditor's report originally issued in Turkish, See Note 1. of Section Three)

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

A) Independent Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of HSBC BANK A.Ş ("the Bank") and its subsidiaries (collectively referred as "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of HSBC Bank A.Ş as at December 31, 2020 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency ("BRSA"), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards ("TFRS") for the matters which are not regulated by these regulations.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter is addressed in our audit
Transition impact of TFRS 9 "Financial Instruments" Standard and recognition of impairment on financial assets and related significant disclosures	
As presented in Section 3 disclosure VIII, the Group adopted the TFRS 9 "Financial Instruments" standard began to recognize expected credit losses of financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter since: - Amount of on and off-balance sheet items that are subject to expected credit loss calculation is material to the financial statements - There are complex and comprehensive requirements of TFRS 9 - The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments - Policies implemented by the Group management include compliance risk to the regulations and other practices - New or re-structured processes of TFRS 9 are advanced and complex - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive - Disclosure requirements of TFRS 9 are comprehensive and complex	Our audit procedures included among others include: - Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices - Reviewing and testing of new or re-structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists - Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices - Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group's Business Model - Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and group's past performance. Evaluating the alignment of those forward looking parameters to Group's internal processes where applicable - Assessing the impact of the COVID-19 epidemic on macroeconomic variables used in the staging of loans and the calculation of expected loan losses, together with important forecasts and assumptions for the future - Assessing the completeness and the accuracy of the data used for expected credit loss calculation - Testing the mathematical accuracy of expected credit loss calculation on sample basis - Evaluating the judgments and estimates used for the individually assessed financial assets - Evaluating the accuracy and the necessity of post-model adjustments - Auditing of TFRS 9 disclosures.

Responsibilities of Managemet and Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 - December 31, 2020 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Damla Harman.

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

Damla Harman
Partner, SMMM

March 8, 2021
İstanbul, Türkiye

CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş. AND ITS FINANCIAL AFFILIATIES AS OF AND FOR THE YEAR-ENDED PERIOD ENDED DECEMBER 31, 2020

Address of Bank's Headquarters	: Büyükdere Caddesi No 128 Esentepe, Şişli 34394, İstanbul
Telephone/Fax	: (0212) 376 40 00 / (0212) 336 29 39
Web-site	: www.hsbc.com.tr
Contact E-mail Address	: hsbchaberlesmemerkezi@hsbc.com.tr

The consolidated financial report for the year-end 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDIT REPORT

Our subsidiaries, affiliates and jointly controlled partnership of which financial statements have been consolidated within the framework of this period's consolidated financial statements are:

	Participations	Subsidiaries	Investments
1.	HSBC Yatırım ve Menkul Değerler A.Ş.	-	-

The consolidated financial statements for the year-end 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 audit and are presented enclosed.

Hamit Aydoğan	Süleyman Selim Kervancı	Burçin Ozan	Yerliozan Kül
Vice President of the Executive Board	General Manager	Financial Reporting Assistant General Manager	Group Head

Robert Adrian Underwood	Neslihan Erkazancı
Head of Audit Committee	Member of Audit Committee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title	: Elburuz İnceman/Senior Manager
Tel	: (0212) 336 2708
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SECTION ONE **Page**

General Information About the Parent Bank

SECTION TWO

Consolidated Financial Statements of the Group

SECTION THREE

Explanations on Accounting Policies

SECTION FOUR

Explanations Related to Financial Position and Risk Management

SECTION FIVE

Explanations and Notes Related to Consolidated Financial Statements

SECTION SIX

Explanations on Independent Auditor's Report

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

I. THE PARENT 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 June 27, 1990 and numbered 90/644 that HSBC Bank A.Ş. ("the Bank", "the Parent Bank", "HSBC Bank") was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated September 18, 1990. The Parent Bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224. On September 20, 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 Parent Bank's main shareholder HSBC Bank Plc. According to this agreement, the required procedures shall be completed by October 31, 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 October 31, 2001. In December 14, 2001, Demirbank T.A.Ş. and the Parent 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 June 21, 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 June 29, 2017.

II. EXPLANATION ABOUT THE PARENT BANK'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE PARENT BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THAT THE PARENT BANK BELONGS TO

As of December 31, 2020, the Parent 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 June 21, 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Parent 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 June 29, 2017. As of December 31, 2020 there has been no changes regarding the Parent Bank's capital structure and shareholders of the Parent Bank who are in charge of the management or auditing of the Parent Bank directly or indirectly.

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

Title	Name	Responsibility	Education
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	Phd
CEO:	Süleyman Selim KERVANCI	CEO	Graduate
Head of Internal Audit:	Ercan OĞUL(*)	Head of Internal Audit	Graduate
Deputy CEO:	Rüçhan ÇANDAR	Technology and Services	Graduate
Executive Vice Presidents:	Anthony WRIGHT	Credit and Risk	Graduate
	Ayşe YENEL	Retail Banking	Undergraduate
	Burçin OZAN	Finance	Undergraduate
	Rüçhan ÇANDAR	Technology and Services	Graduate
	Funda TEMOÇİN	Human Resources	Undergraduate
	İbrahim Namık AKSEL	Treasury and Capital Markets	Graduate
	Fatoş Pınar FADILLIOĞLU	Head of Corporate Communication	Undergraduate
	Tolga TÜZÜNER	Head of Legal Advisor	Graduate
Audit Committee:	Robert Adrian UNDERWOOD	Head of the Audit Committee	Graduate
	Neslihan ERKAZANCI	Member of the Audit Committee	Undergraduate

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

As of the date of 31.01.2021 Umut Pasin resigned position as Head of Internal Audit. As of 01.02.2021, Suat Tokgözlü appointed position of Head of Internal Audit. Ercan Oğul who appointed with the Head of Internal Audit decision number 49 and dated 01.03.2021 as of the date of 08.03.2021.

IV. INFORMATION ON INDIVIDUALS OR INSTITUTIONS OWNING THE PREFERRED SHARES OF THE PARENT 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 PARENT BANK'S ACTIVITIES AND SERVICES

The Parent Bank's activities in accordance with related regulations and the articles of association of the Parent 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 Parent 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 Marsh Sigorta ve Reasürans Brokerlığı 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 December 31, 2020, the Parent Bank has 77 branches dispersed throughout the country (December 31, 2019: 77 branches).

As of December 31, 2020, the number of employees of the Group is 1.994 (December 31, 2019: 2.063).

VI. OTHER MATTERS

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

VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE

Parent Company and the Bank and HSBC Yatırım Menkul Değerler A.Ş. ("HSBC Yatırım") that is owned by the Bank and HSBC Portföy Yönetimi A.Ş. ("HSBC Portföy") that is the subsidiary of the HSBC Yatırım are taken into consolidation scope.

The subsidiaries consolidated along with the Parent Bank are referred to as "the Group".

The consolidated financial statements has been prepared in accordance with the provisions of "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated November 8, 2006 and numbered 26340 and "Consolidated Financial Statements" ("TFRS 10") .

VIII. 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 Parent Bank's subsidiary HSBC Yatırım ve Menkul Değerler A.Ş. consolidated financial statements are included in the scope of consolidation by line-by-line method.

IX. 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.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I. **Consolidated Balance Sheet**

II. **Consolidated Statement of Off - Balance Sheet Commitments**

III. **Consolidated Statement of Profit or Loss**

IV. **Consolidated Statement of Profit or Loss and Other Comprehensive Income**

V. **Consolidated Statement of Changes in Shareholders' Equity**

VI. **Consolidated Statement of Cash Flows**

VII. **Consolidated Statement of Profit Distribution**

HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019
(STATEMENT OF FINANCIAL POSITION)

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

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

I.	BALANCE SHEET	Note (Section Five I)	Audited Current Period (31.12.2020)			Audited Prior Period (31.12.2019)		
	ASSETS		**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (NET)**		**7.997.516**	**9.853.168**	**17.850.684**	**7.006.588**	**10.436.516**	**17.443.104**
1.1	**Cash and Cash Equivalents**		**2.378.362**	**8.075.944**	**10.454.306**	**4.880.482**	**9.236.495**	**14.116.977**
1.1.1	Cash and Balances with Central Bank	(I-a)	196.186	6.896.097	7.092.283	558.602	2.553.119	3.111.721
1.1.2	Banks	(I-c)	2.584	27.102	29.686	390	10.974	11.364
1.1.3	Money Market Placements		2.182.029	1.152.745	3.334.774	4.321.936	6.672.402	10.994.338
1.1.4	Expected Loss Provision (-)		2.437	-	2.437	446	-	446
1.2	**Financial Assets at Fair Value Through Profit or Loss**	**(I-b)**	**195.305**	**165.340**	**360.645**	**408.920**	**89.407**	**498.327**
1.2.1	Government Debt Securities		189.738	165.340	355.078	403.353	62.186	465.539
1.2.2	Equity Instruments		5.567	-	5.567	5.567	27.221	32.788
1.2.3	Other Financial Assets		-	-	-	-	-	-
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(I-d)**	**5.014.925**	**-**	**5.014.925**	**1.230.698**	**-**	**1.230.698**
1.3.1	Government Debt Securities		5.014.925	-	5.014.925	1.230.698	-	1.230.698
1.3.2	Equity Instruments		-	-	-	-	-	-
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	**Derivative Financial Assets**	**(1-b)**	**408.924**	**1.611.884**	**2.020.808**	**486.488**	**1.110.614**	**1.597.102**
1.4.1	Derivative Financial Assets at Fair Value Through Profit or Loss		408.924	1.611.884	2.020.808	486.488	1.110.614	1.597.102
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-	-	-	-
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**9.348.827**	**15.377.469**	**24.726.296**	**7.984.503**	**8.310.861**	**16.295.364**
2.1	**Loans**	**(I-e)**	**10.897.575**	**15.377.469**	**26.275.044**	**9.263.673**	**8.310.861**	**17.574.534**
2.2	**Lease Receivables**	**(I-j)**	**-**	**-**	**-**	**-**	**-**	**-**
2.3	**Factoring Receivables**		**59.847**	**-**	**59.847**	**126.556**	**-**	**126.556**
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 (-)**		**1.608.595**	**-**	**1.608.595**	**1.405.726**	**-**	**1.405.726**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	**(I-p)**	**1.221**	**-**	**1.221**	**2.095**	**-**	**2.095**
3.1	Held for Sale Purpose		1.221	-	1.221	2.095	-	2.095
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**220**	**-**	**220**	**220**	**-**	**220**
4.1	**Investments in Associates (Net)**	**(I-g)**	**-**	**-**	**-**	**-**	**-**	**-**
4.1.1	Accounted Under Equity Method		-	-	-	-	-	-
4.1.2	Consolidated Associates		-	-	-	-	-	-
4.2	**Subsidiaries (Net)**	**(I-h)**	**220**	**-**	**220**	**220**	**-**	**220**
4.2.1	Consolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Consolidated Non-Financial Subsidiaries		220	-	220	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	Consolidated Joint Ventures		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**	**(I-l)**	**221.432**	**-**	**221.432**	**224.791**	**-**	**224.791**
VI.	**INTANGIBLE ASSETS (Net)**	**(I-m)**	**181.806**	**-**	**181.806**	**168.439**	**-**	**168.439**
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		181.806	-	181.806	168.439	-	168.439
VII.	**INVESTMENT PROPERTY (Net)**	**(I-n)**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSET**	**(I-o)**	**257.441**	**-**	**257.441**	**211.012**	**-**	**211.012**
X.	**OTHER ASSETS**	**(I-r)**	**215.285**	**61.040**	**276.325**	**122.618**	**491.226**	**613.844**
	TOTAL ASSETS		**18.223.748**	**25.291.677**	**43.515.425**	**15.720.266**	**19.238.603**	**34.958.869**

The accompanying explanations and notes set out on pages 15 to 130 form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1

HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET

	LIABILITIES	Note (Section Five II)	Audited Current Period (31.12.2020) TL	FC	Total	Audited Prior Period (31.12.2019) TL	FC	Total
I.	**DEPOSITS**	**(II-a)**	**8.514.625**	**22.408.453**	**30.923.078**	**7.159.651**	**20.580.614**	**27.740.265**
II.	**FUNDS BORROWED**	**(II-d)**	**-**	**1.931.228**	**1.931.228**	**-**	**30.720**	**30.720**
III.	**MONEY MARKET BALANCES**	**(II-c)**	**1.242.251**	**-**	**1.242.251**	**-**	**-**	**-**
IV.	**MARKETABLE SECURITIES ISSUED (Net)**		**951.920**	**-**	**951.920**	**-**	**-**	**-**
4.1	Bills		951.920	-	951.920	-	-	-
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)**	**374.618**	**1.508.553**	**1.883.171**	**464.612**	**975.820**	**1.440.432**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		374.618	1.508.553	1.883.171	464.612	975.820	1.440.432
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-	-	-	-
VIII.	**FACTORING LIABILITIES**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**LEASE LIABILITIES**	**(II-f)**	**99.547**	**3.409**	**102.956**	**113.371**	**11.022**	**124.393**
X.	**PROVISIONS**	**(II-h)**	**183.098**	**1.633**	**184.731**	**168.980**	**1.307**	**170.287**
10.1	Restructuring Provisions		-	-	-	4.114	-	4.114
10.2	Reverse for Employee Benefits		74.392	-	74.392	67.818	-	67.818
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		108.706	1.633	110.339	97.048	1.307	98.355
XI.	**CURRENT TAX LIABILITY**	**(II-i)**	**122.431**	**-**	**122.431**	**34.039**	**-**	**34.039**
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)**	**-**	**1.652.797**	**1.652.797**	**-**	**1.337.281**	**1.337.281**
14.1	Loans		-	1.652.797	1.652.797	-	1.337.281	1.337.281
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**	**(II-e)**	**666.405**	**272.518**	**938.923**	**765.993**	**173.594**	**939.587**
XVI.	**SHAREHOLDERS' EQUITY**	**(II-l)**	**3.581.939**	**-**	**3.581.939**	**3.141.865**	**-**	**3.141.865**
16.1	Paid-in capital		652.290	-	652.290	652.290	-	652.290
16.2	Capital Reserves		272.693	-	272.693	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	272.693	-	272.693
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(20.974)	-	(20.974)	(24.980)	-	(24.980)
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		9.735	-	9.735	26.399	-	26.399
16.5	Profit Reserves		2.215.463	-	2.215.463	1.736.591	-	1.736.591
16.5.1	Legal Reserves		201.483	-	201.483	198.999	-	198.999
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		2.013.980	-	2.013.980	1.537.592	-	1.537.592
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit Or Loss		452.732	-	452.732	478.872	-	478.872
16.6.1	Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Year Profit/Loss		452.732	-	452.732	478.872	-	478.872
16.7	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**15.736.834**	**27.778.591**	**43.515.425**	**11.848.511**	**23.110.358**	**34.958.869**

The accompanying explanations and notes set out on pages 15 to 130 form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1

HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019

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

	II. OFF-BALANCE SHEET COMMITMENTS	**Note (Section Five III)**	**Audited Current Period (31.12.2020)**			**Audited Prior Period (31.12.2019)**		
			TL	**FC**	**Total**	**TL**	**FC**	**Total**
A.	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**31.467.620**	**120.835.138**	**152.302.758**	**40.296.122**	**94.305.325**	**134.601.447**
I.	**GUARANTEES AND COLLATERALS**	**(III-a-2,3)**	**1.290.594**	**4.989.163**	**6.279.757**	**1.149.048**	**3.616.378**	**4.765.426**
1.1	Letters of Guarantee		1.265.594	2.782.345	4.047.939	1.125.841	1.741.369	2.867.210
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		1.265.594	2.782.345	4.047.939	1.125.841	1.741.369	2.867.210
1.2	Bank Acceptances		-	412	412	-	1.029	1.029
1.2.1	Import Letter of Acceptance		-	412	412	-	1.029	1.029
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		25.000	2.002.452	2.027.452	23.207	1.655.053	1.678.260
1.3.1	Documentary Letters of Credit		25.000	1.151.801	1.176.801	23.207	984.121	1.007.328
1.3.2	Other Letters of Credit		-	850.651	850.651	-	670.932	670.932
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		-	-	-	-	-	-
1.8	Other Guarantees		-	203.954	203.954	-	218.927	218.927
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**(III-a-1)**	**6.589.498**	**12.199.301**	**18.788.799**	**5.968.023**	**4.753.441**	**10.721.464**
2.1	Irrevocable Commitments		6.589.498	12.199.301	18.788.799	5.968.023	4.753.441	10.721.464
2.1.1	Forward Asset Purchase and Sale Commitments		2.515.099	12.198.628	14.713.727	1.609.602	4.752.902	6.362.504
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		188.459	-	188.459	578.715	-	578.715
2.1.5	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Payment Commitment for Checks		15.531	-	15.531	20.119	-	20.119
2.1.8	Tax And Fund Liabilities from Export Commitments		2.286	-	2.286	2.286	-	2.286
2.1.9	Commitments for Credit Card Expenditure Limits		3.308.035	-	3.308.035	3.206.861	-	3.206.861
2.1.10	Commitments for Promotions Related with Credit Cards and Banking Activities		18.102	-	18.102	13.950	-	13.950
2.1.11	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		541.986	673	542.659	536.490	539	537.029
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(III-b)**	**23.587.528**	**103.646.674**	**127.234.202**	**33.179.051**	**85.935.506**	**119.114.557**
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		23.587.528	103.646.674	127.234.202	33.179.051	85.935.506	119.114.557
3.2.1	Forward Foreign Currency Buy/Sell Transactions		5.620.930	8.754.954	14.375.884	5.511.577	9.157.496	14.669.073
3.2.1.1	Forward Foreign Currency Transactions-Buy		3.745.276	3.555.430	7.300.706	4.346.642	2.997.361	7.344.003
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.875.654	5.199.524	7.075.178	1.164.935	6.160.135	7.325.070
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		9.480.572	79.283.673	88.764.245	14.966.436	63.391.217	78.357.653
3.2.2.1	Foreign Currency Swap-Buy		2.600.667	28.493.327	31.093.994	3.892.839	23.141.100	27.033.939
3.2.2.2	Foreign Currency Swap-Sell		6.879.905	27.708.756	34.588.661	11.073.597	17.570.101	28.643.698
3.2.2.3	Interest Rate Swap-Buy		-	11.540.795	11.540.795	-	11.340.008	11.340.008
3.2.2.4	Interest Rate Swap-Sell		-	11.540.795	11.540.795	-	11.340.008	11.340.008
3.2.3	Foreign Currency, Interest Rate, And Securities Options		8.486.026	10.552.554	19.038.580	12.701.036	11.500.072	24.201.108
3.2.3.1	Foreign Currency Options-Buy		4.243.013	5.276.277	9.519.290	6.350.518	5.750.036	12.100.554
3.2.3.2	Foreign Currency Options-Sell		4.243.013	5.276.277	9.519.290	6.350.518	5.750.036	12.100.554
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		-	5.055.493	5.055.493	2	1.886.721	1.886.723
B.	**CUSTODY AND PLEDGES SECURITIES (IV+V+VI)**		**683.263.315**	**42.615.226**	**725.878.541**	**449.766.744**	**35.816.881**	**485.583.625**
IV.	**ITEMS HELD IN CUSTODY**		**615.186.270**	**8.122.872**	**623.309.142**	**382.267.676**	**9.991.040**	**392.258.716**
4.1	Customers' Securities Held		174.752	-	174.752	161.637	-	161.637
4.2	Investment Securities Held in Custody		612.999.046	1.058.659	614.057.705	380.565.725	6.698.385	387.264.110
4.3	Checks Received for Collection		25.701	130.671	156.372	4.243	95.029	99.272
4.4	Commercial Notes Received for Collection		121.941	25.484	147.425	130.213	39.467	169.680
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		1.864.830	6.908.058	8.772.888	1.405.858	3.158.159	4.564.017
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES ITEMS**		**65.783.256**	**21.641.484**	**87.424.740**	**66.025.279**	**16.404.321**	**82.429.600**
5.1	Marketable Securities		27.146	1.103.651	1.130.797	51.931	862.707	914.638
5.2	Guarantee Notes		32.842	448.710	481.552	34.602	297.485	332.087
5.3	Commodity		571.021	983.044	1.554.065	669.505	726.493	1.395.998
5.4	Warranty		-	-	-	-	-	-
5.5	Real Estate		3.240.747	9.834.339	13.075.086	3.694.067	7.149.704	10.843.771
5.6	Other Pledged Items		61.911.500	9.271.740	71.183.240	61.575.174	7.367.932	68.943.106
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED BILL OF EXCHANGE AND COLLATERALS**		**2.293.789**	**12.850.870**	**15.144.659**	**1.473.789**	**9.421.520**	**10.895.309**
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		**714.730.935**	**163.450.364**	**878.181.299**	**490.062.866**	**130.122.206**	**620.185.072**

The accompanying explanations and notes set out on pages 15 to 130 form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1

HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019

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

III.	STATEMENT OF PROFIT OR LOSS		Audited	
	INCOME AND EXPENSE ITEMS	**Note (Section Five IV)**	**Current Period (01.01.2020- 31.12.2020)**	**Priod Period (01.01.2019- 31.12.2019)**
I.	**INTEREST INCOME**	**(IV-a)**	**2.429.430**	**3.254.551**
1.1	Interest Income on Loans	(IV-a-1)	1.696.729	2.249.827
1.2	Interest Received from Reserve Requirements		6.173	39.186
1.3	Interest Received from Banks	(IV-a-2)	58.746	156.959
1.4	Interest Received from Money Market Transactions		137.997	644.748
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	522.651	148.899
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		47.227	62.356
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		475.424	86.543
1.5.3	Financial Assets at Measured at Amortized Cost		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		7.134	14.932
II.	**INTEREST EXPENSE (-)**	**(IV-b)**	**1.142.328**	**1.739.182**
2.1	Interest Expense on Deposits	(IV-b-4)	662.832	1.443.772
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	122.589	256.356
2.3	Interest Expense on Money Market Transactions		253.868	16.390
2.4	Interest on Securities Issued	(IV-b-3)	31.370	-
2.5	Interest Expense on Lease		18.778	18.991
2.6	Other Interest Expenses		52.891	3.673
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**1.287.102**	**1.515.369**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**427.556**	**455.937**
4.1	Fees and Commissions Received		480.454	498.426
4.1.1	Non-Cash Loans		91.086	63.612
4.1.2	Other	(IV-l)	389.368	434.814
4.2	Fees and Commissions Paid (-)		52.898	42.489
4.2.1	Non-Cash Loans		783	653
4.2.2	Other		52.115	41.836
V	**DIVIDEND INCOME**	**(IV-c)**	**89**	**6.420**
VI.	**TRADING INCOME/(LOSS) (Net)**	**(IV-d)**	**517.701**	**(89.707)**
7.1	Trading Gains/(Losses) on Securities		152.204	78.568
7.2	Derivative Financial Transactions Gains/(Losses)		1.155.004	268.429
7.3	Foreign Exchange Gains/(Losses)		(789.507)	(436.704)
VII.	**OTHER OPERATING INCOME**	**(IV-e)**	**356.595**	**303.789**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**2.589.043**	**2.191.808**
IX.	**PROVISION FOR LOAN LOSSES (-)**	**(IV-f)**	**485.240**	**348.413**
X.	**OTHER PROVISION EXPENSES (-)**		**13.713**	**15.757**
XI.	**PERSONNEL EXPENSES (-)**		**517.698**	**503.847**
XII.	**OTHER OPERATING EXPENSES (-)**	**(IV-g)**	**949.259**	**702.670**
XIII.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)**		**623.133**	**621.121**
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)**		**623.133**	**621.121**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**(IV-i)**	**(170.401)**	**(142.249)**
18.1	**Current Tax Provision**		(217.731)	(106.266)
18.2	**Deferred Tax Income Effect (+)**		(35.915)	(35.983)
18.3	**Deferred Tax Expense Effect (-)**		83.245	-
XIX.	**NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)**	**(IV-j)**	**452.732**	**478.872**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
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)**	**452.732**	**478.872**
	Earnings/Loss per Share		0,006941	0,007341

The accompanying explanations and notes set out on pages 15 to 130 form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1

HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited Current Period (31.12.2020)	Audited Prior Period (31.12.2019)
I.	**CURRENT PERIOD INCOME/LOSS**	**452.732**	**478.872**
II.	**OTHER COMPREHENSIVE INCOME**	**(12.658)**	**73.779**
2.1	**Not Reclassified Through Profit or Loss**	**4.006**	**3.672**
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	5.017	4.638
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	(1.011)	(966)
2.2	**Reclassified Through Profit or Loss**	**(16.664)**	**70.107**
2.2.1	Foreign Currency Translation Differences	-	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(22.855)	90.383
2.2.3	Cash Flow Hedge Income/Loss	(498)	(2.559)
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	6.689	(17.717)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**440.074**	**552.651**

The accompanying explanations and notes set out on pages 15 to 130 form an integral part of these consolidated financial statements.

HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2019

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Audited Prior Period December 31, 2019	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Minority Shares	Total Equity
I.	**Balances at the Beginning of the Period - December 31, 2018**		**652.290**	**-**	**-**	**272.693**	**-**	**(28.652)**	**-**	**-**	**(46.092)**	**2.384**	**1.787.586**	**-**	**346.648**	**2.986.857**	**-**	**2.986.857**
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**	**-**	**(28.652)**	**-**	**-**	**(46.092)**	**2.384**	**1.787.586**	**(397.643)**	**346.648**	**2.589.214**	**-**	**2.589.214**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**3.672**	**-**	**-**	**72.103**	**(1.996)**	**-**	**-**	**478.872**	**552.651**	**-**	**552.651**
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**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(50.995)**	**397.643**	**(346.648)**	**-**	**-**	**-**
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	(50.995)	397.643	(346.648)	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+…...+X+XI)		**652.290**	**-**	**-**	**272.693**	**-**	**(24.980)**	**-**	**-**	**26.011**	**388**	**1.736.591**	**-**	**478.872**	**3.141.865**	**-**	**3.141.865**

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).

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Audited Current Period December 31, 2020	**Note Section Five**	**Paid-in Capital**	**Share Premium**	**Share Cancel Profits**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Profit/(Loss)**	**Net Profit/(Loss)**	**Total Equity Except from Minority Interest**	**Minority Shares**	**Total Equity**
I.	**Balances at the Beginning of the Period - December 31, 2019**		**652.290**	**-**	**-**	**272.693**	**-**	**(24.980)**	**-**	**-**	**26.011**	**388**	**1.736.591**	**-**	**478.872**	**3.141.865**	**-**	**3.141.865**
II.	**Corrections According to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Beginning Balance (I+II)**		**652.290**	**-**	**-**	**272.693**	**-**	**(24.980)**	**-**	**-**	**26.011**	**388**	**1.736.591**	**-**	**478.872**	**3.141.865**	**-**	**3.141.865**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**4.006**	**-**	**-**	**(16.276)**	**(388)**	**-**	**-**	**452.732**	**440.074**	**-**	**440.074**
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**		-	-	-	-	-	-	-	-	-	-	**478.872**	-	**(478.872)**	-	-	-
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	478.872	-	(478.872)	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+…...+X+XI)		**652.290**	**-**	**-**	**272.693**	**-**	**(20.974)**	**-**	**-**	**9.735**	**-**	**2.215.463**	**-**	**452.732**	**3.581.939**	**-**	**3.581.939**

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).

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HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019

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

VI. STATEMENT OF CASH FLOWS

		Note (Section Five VI)	Audited Current Period (31.12.2020)	Audited Prior Period (31.12.2019)
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**	**(VI-a)**	**1.377.070**	**951.014**
1.1.1	Interest Received		2.477.791	3.282.507
1.1.2	Interest Paid		(1.121.426)	(1.918.988)
1.1.3	Dividend Received		89	6.420
1.1.4	Fees and Commissions Received		442.054	482.237
1.1.5	Other Income		94.863	84.022
1.1.6	Collections From Previously Written-Off Loans and Other Receivables		96.436	148.452
1.1.7	Cash Payments to Personnel and Service Suppliers	(VI-a)	(493.492)	(462.835)
1.1.8	Taxes Paid		(166.666)	(155.888)
1.1.9	Other		47.421	(514.913)
1.2	**Changes in Operating Assets and Liabilities Subject to Banking Operations**		**(5.213.443)**	**(103.641)**
1.2.1	Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		126.099	(440.128)
1.2.2	Net Decrease in Due From Banks		(1.298.776)	(929.050)
1.2.3	Net (Increase) in Loans		(8.764.765)	(1.819.634)
1.2.4	Net (Increase) in Other Assets		196.133	(127.814)
1.2.5	Net Increase in Bank Deposits		425.632	(1.641.587)
1.2.6	Net Increase/(Decrease) in Other Deposits		2.770.614	4.608.345
1.2.7	Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8	Net (Decrease) in Funds Borrowed		-	-
1.2.9	Net Increase/(Decrease) in Matured Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		1.331.620	246.227
I.	**Net Cash Provided From Banking Operations**		**(3.836.373)**	**847.373**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided From Investing Activities**		**(3.860.718)**	**(679.067)**
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		(75.999)	(32.533)
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		(7.574.218)	(938.512)
2.6	Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		3.847.910	335.700
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		(58.411)	(43.722)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided From Financing Activities**		**2.757.428**	**(1.520.517)**
3.1	Cash Obtained From Funds Borrowed and Securities Issued		2.815.610	-
3.2	Cash Outflow From Funds Borrowed and Securities Issued		-	(1.481.051)
3.3	Equity Instruments Issued		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Lease Liabilities		(58.182)	(39.466)
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**	**(VI-a)**	**(21.779)**	**4.245**
V.	**Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)**		**(4.961.442)**	**(1.347.966)**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**(VI-d)**	**11.874.597**	**13.222.563**
VII.	**Cash and Cash Equivalents at End of the Period**	**(VI-d)**	**6.913.155**	**11.874.597**

The accompanying explanations and notes set out on pages 15 to 130 form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1

HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019

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

VII.	STATEMENT OF PROFIT DISTRIBUTION	Audited Current Period (31.12.2020) (*)	Audited Prior Period (31.12.2019)
I.	**DISTRIBUTION OF INCOME**		
1.1	Income for the Year	586.336	601.727
1.2	Taxes and Duties Payable (-)	155.882	131.796
1.2.1	Corporate Tax (Income Tax)	203.631	96.058
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues (**)	(47.749)	35.738
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**430.454**	**469.931**
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserve (-)	-	-
1.5	Other Statutory Reserves (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-1.3-1.4-1.5)]**	**430.454**	**469.931**
1.6	First Dividend to Shareholders (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	Dividends to Personnel (-)	-	-
1.8	Dividends to Board of Directors (-)	-	-
1.9	Second Dividend to Shareholders (-)	-	-
1.9.1	To Owners of Ordinary Shares		
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves (-)		
1.12	Extraordinary Reserves	-	469.931
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	**DISTRIBUTION OF RESERVES**	-	-
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends to Shreholder (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Privileged Shares	-	-
2.3.3	To Owners of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.4	Dividends to Personnel (-)	-	-
2.5	Dividends to Board of Directors (-)	-	-
III.	**EARNINGS PER SHARE (**)**		
3.1	To Owners of Ordinary Shares	0,006599	0,007204
3.2	To Owners of Ordinary Shares (%)	-	-
3.3	To Owners of Privileged Shares	-	-
3.4	To Owners of Privileged Shares (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	To Owners of Ordinary Shares	-	-
4.2	To Owners of Ordinary Shares (%)	-	-
4.3	To Owners of Privileged Shares	-	-
4.4	To Owners of Privileged Shares (%)	-	-

(*) As of reporting date, yearly ordinary meeting of the General Assembly has not been held yet to decide on the profit distribution for the year 2020.
(**) 1.000 nominal is expressed in full TL.

The accompanying explanations and notes set out on pages 15 to 130 form an integral part of these consolidated financial statements

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

a. The preparation of the consolidated 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 Group prepared the accompanying consolidated 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 November 1, 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 consolidated 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 June 28, 2012, and amendments to this Communiqué dated February 1, 2019 which include Turkish Accounting Standard principles.

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

The preparation of the consolidated 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 consolidated financial statements:

Accounting policies and valuation principles used in the preparation of the consolidated 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, 2020 except new regulations specified in Notes VIII.

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

The ongoing COVID-19 pandemic, which has recently emerged in the first half of 2020 and, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures have been taken in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

I. EXPLANATIONS ON BASIS OF PRESENTATION (CONTINUED)

Since it is aimed to update the most recent consolidated financial information in the consolidated financial statements prepared as of December 31, 2020, considering the magnitude of the economic changes due to COVID-19, the Parent Bank made certain estimates in the calculation of expected credit losses and disclosed them in footnote numbered VIII "Explanations On Expected Credit Losses". In the upcoming periods, the Parent Bank will update its relevant assumptions as necessary and revise the realizations of past estimates.

c. Different accounting policies applied in the preparation of consolidated financial statements:

Where the accounting policies used by the subsidiaries differ from the Parent Bank, the differences are aligned in the financial statements by taking into account the materiality criterion.

Changes in Accounting policies and disclosures

New and revised Turkish Accounting Standards effective for annual periods beginning on or after January 1, 2020 have no material effect on the financial statements, financial performance and on the Group's accounting policies.New and revised Turkish Accounting Standards issued but not yet effective as of the finalization date of the financial statements have no material effect on the financial statements, financial performance and on the Group's accounting policies.

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 consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated 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 Parent Bank are customer deposits and borrowings from abroad. The Parent Bank's liquidity structure covers the financing of all liabilities at due date. This liquidity structure of the Parent Bank has been established by diversifying fund resources and keeping sufficient cash and cash equivalences.

The Group 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 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.

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

III. EXPLANATIONS ON CONSOLIDATED INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Group has no investments in associates as of December 31, 2020. The accompanying consolidated financial statements are prepared in accordance with TFRS 10 "Consolidated and Separate Financial Statements" and BRSA communiqué published on the Official Gazette numbered 26340 and dated November 8, 2006 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 December 10, 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. As of October 17, 2019, dischargement process of HSBC Ödeme has started.

The corporations included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

Name	Consolidation Method	Place of Establishment	Subject of Operations	The Group's share percentage- If different voting percentage (%)
HSBC Yatırım ve Menkul Değerler A.Ş.(*)	Full consolidation	Turkey	Securities Intermediary Services	100,00

(*) HSBC Portföy Yönetimi A.Ş ("HSBC Portföy") has been included scope of consolidation that the is the subsidiary of HSBC Yatırım Menkul Değerler A.Ş. ("HSBC Yatırım") and HSBC Yatırım

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

In order to reduce the foreign exchange position risk the Parent 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 Parent 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 Parent 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.

VII. EXPLANATIONS ON FINANCIAL ASSETS

The Group 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 Group 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 the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Parent 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 Parent 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 Parent 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

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.

Equity securities, which are classified as financial assets at fair value through profit/loss, 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.

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.

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.

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 December 31, 2020 and December 31, 2019, the Group 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".

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

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES

The Group 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 January 1, 2019, the Group recognizes a loss allowance for expected credit losses based on the regulation published in the Official Gazette no. 29750 dated June 22, 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 of December 31, 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.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, in order to continue economic and commercial activities in a healthy way resulting from the Covid-19 outbreak, the 90 days default period for loans to be classified as non-performing loans shall be applied as 180 days according to assembly's resolution dated on March 17, 2020. This measure will be effective until December 31, 2020. In this context;

- Loans receivables that cannot be collected for up to 90 days are classified in the stage 1 and the 90 days default period for loans to be classified as non performing loans (NPL) up to 180 days. The application has no significant impact on the Parent Bank's financial statements.
- In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for customers who do not want to be late in their instalments.
- Deferral and postponement possibilities of installment payments started to be evaluated within the scope of applications of customers that are in need.

The Parent Bank continued to calculate expected credit losses in accordance with its risk models and TFRS 9 regulations for the receivables with related payment plan changes.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

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.

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). PDs and LGDs used in the ECL calculation are point in time ("PIT")-based for key portfolios and consider both current conditions and expected cyclical changes.

While the expected credit loss is estimated, three scenarios (baseline scenario, adverse scenario, optimistic scenario) are evaluated. Due to COVID-19, as of the second quarter of 2020, instead of the optimistic scenario, the alternative pessimistic negative scenario has been used. 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 measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit losses which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

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 (term of loan) 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 corporate portfolio to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and non-financial information. Whereas behavioral and application scorecards used in the individual portfolio include; the behavioral data of the customer and the product in the Parent 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.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

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.

The Parent Bank determines the assignment of LGD by using historical data which best reflects current circumstances for individual loans and corporate loans that are individually assessed. 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. However, LGD assignment of corporate loans executed by portfolio based LGD calculation which is being used for estimating credit risk parameters under the tactical method and it is based on a complete economic cycle as prescribed by the Basel Committee. In order to demonstrate the statistical significance required thresholds can vary according to the specified portfolios.

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 GDP
- Annual change in export amount
- Annual percentage change in USD/TRY
- Unemployment rate
- Inflation rate
- Housing price index
- Short term external debt

As of December 31, 2020, the Parent Bank has reflected the possible effects of the COVID-19 outbreak to the estimates and judgments used in the calculation of expected credit losses by using the data that is received with the maximum effort with the best estimation method. Within the light of the aforementioned data, the Parent Bank has developed an alternative pessimistic situation scenario in addition to the base, optimistic and pessimistic macro-economic expectations used in the calculation of expected credit loss and revised the scenario weights within this scope. Compared to December 31, 2019, the weight of the base case scenario was reduced by 10 points, the weight of the pessimistic and alternative pessimistic case scenarios was increased by 20 points in total, and the weight of the optimistic case scenario was accepted as 0. In this context the Parent Bank reflected the annual change rate in housing prices and short-term foreign debt change in USD in order to determine the PD and LGD. The model effects are tardily reflected to the financial statements due to the nature of the events that cause change and the effects of the events occur at different times. Therefore, the Parent Bank has established an additional provisions for the entire loan portfolio for the sector and customers who are considered to have a high impact by performing individual assessments in order to eliminate the timing difference. This approach, which is preferred in the provision calculations for the end of 2020, will be reviewed regularly in the upcoming reporting periods with the impact of the pandemic, the current financial asset portfolio and future expectations.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Calculating the Expected Loss Period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Parent 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 Parent 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 Parent 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 Parent Bank has determined thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Parent 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 Parent 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
- Receivables above the predetermined threshold values between the probability of default at the date of release and the probability of default at the reporting date

In accordance with the BRSA's decision dated March 27, 2020 no. 8970, as a result of the COVID-19 epidemic, in order to ensure a healthy continuation of economic and commercial activities, according to the forth article of the "Regulation on Classification of Loans and Procedures and Principles for provisions to be Allocated for them", as of March 17, 2020, the loans overdue as 30 days are classified in the Stage 2 will be applied as 90 days until December 31, 2020 and provisions for the loans that continue to be classified as Stage 1 up to 90 days. The parent bank will continue according to their own risk models used in calculating expected credit losses under TFRS 9.

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 Parent 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 Parent Bank retains control of the asset, the Parent Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent 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 Parent 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 Parent 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.

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 Parent 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 Parent 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.
- There is no restructuring of loan and credit card related to the non-performing loans.

X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES

None.

XI. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group 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.

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 Parent 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 Parent 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 December 31, 2020 and December 31, 2019, the Group has no discontinued operations.

XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

The Group'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 December 31, 2004, end of the high inflation period is accepted as December 31, 2004, are subject to inflation indexation until December 31, 2004. Intangible assets purchased after December 31, 2004 are recognised with their acquisition cost in the financial statements.

As of December 31, 2020, there is no net book value of goodwill (December 31, 2019: None).

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 December 31, 2004 or subject to inflation indexation until December 31, 2004. Property and equipment purchased after December 31, 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 rates 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 Group 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 Group 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.

Explanations on TFRS 16 Leasing Transactions:

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. The Group has started to apply the "TFRS 16 Leases" Standard with using the modified retrospective approach from January 1, 2019.

Set out below are the accounting policies of the Group upon application of TFRS 16:

Right of use assets

The Group 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 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 Group

At the end of the lease term of the underlying asset's service, the transfer of the Group is reasonably finalized, and the Group 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.

XVII. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

Lease Liabilities

The Group 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 Group under the residual value commitments
- The use price of this option and, if the Group is reasonably confident that it will use the purchase option;
- Fines for termination of the lease if the lease term indicates that the Group 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 Group 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 Group's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group 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 Group 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.

Due to the Group's implementation of TFRS 16, rights of use assets classified under tangible assets as of December 31, 2020 amounted to TL 181.653 (December 31, 2019: TL 154.874), lease liability amounted to TL 102.956 (December 31, 2019: TL 124.393), depreciation expense amounted to TL 40.434 (December 31, 2019: TL 32.143) and interest expense amounted to TL 18.778 (December 31, 2019: TL 18.991).

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 Group 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 Group, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

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 Group. 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 Group 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 consolidated 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 Parent 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 Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Parent 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 3,82% (December 31, 2019: 2,55%).

As of December 31, 2020, actuarial loss amounted to TL 20.479 (December 31, 2019: TL 24.980 loss) is recognized under other income reserves in the financial statements.

All actuarial gains and losses are recognized under equity in accordance with revised 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 June 21, 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 December 5, 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 Parent 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 last 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.

XX. EXPLANATIONS ON TAXATION (Continued)

b) Deferred Tax Asset/Liability:

The Group 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 November 28, 2017 and the Law was published in the Official Gazette on December 5, 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% for 2018 and 2019, 20% for 2021 and afterwards 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. Considering that the tax rate will decrease to 20% again from the beginning of 2021, the deferred tax assets and liabilities for 2020 are calculated using the 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 December 31, 2020, the Group has recognized deferred tax receivables amounting to TL 257.441 as assets (December 31, 2019: Deferred tax receivables amounting to TL 211.012 as assets).

Various operations and calculations with unascertained effects on final tax amount occur during standard workflow, and these require important judgement in determining income tax provision. The Parent 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 November 18, 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. Group has filled out the related form and presented it to the tax office.

XXI. EXPLANATIONS ON BORROWINGS

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the consolidated financial statements enclosed, foreign currency borrowings are translated according to the Parent Bank's period end exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognized in the financial statements. The Group has no marketable securities issued and convertible bonds as of December 31, 2020 and December 31, 2019.

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of December 31, 2020 and December 31, 2019, the Group 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 December 31, 2020 and December 31, 2019, the Group 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 Group 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 January 1, 2018, as issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated January 19, 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Group did not early adopt TFRS 9 in previous periods.

As of January 1, 2019, the Group 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 June 22, 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from January 1, 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 Group 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 Parent Bank reclassified this effect to extraordinary reserves.

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

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

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 Group 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 December 31, 2018 and the new expected credit loss in accordance with TFRS 9 as of January 1, 2019.

Financial Assets[(*)]	**Book value before TFRS 9 December 31, 2018**	**Remeasurements**	**Book value After TFRS 9 January 1, 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**

(*) The Consolidated Subsidiaries' transition to TFRS 9 does not have a significant impact on the opening balance.

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 January 1, 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 Group and the provision for loss that is measured in accordance with TFRS 9 impairment model as of January 1, 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.

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

XXVII. PROFIT RESERVES AND PROFIT DISTRIBUTION

Retained earnings as per the statutory consolidated 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.

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 December 31, 2020	**Prior Period December 31, 2019**
Net Earnings/(Loss) for the Period	452.732	478.872
Number of Shares	65.229.000.000	65.229.000.000
Earnings/(Loss) per Share (*)	**0,006941**	**0,007341**

(*) 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, Group'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

None.

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

SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

Equity and Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", and "Communiqué on Equities of Banks". As of December 31, 2020, equity of the Group and the Parent Bank is amounting to TL 5.208.493 and TL 5.123.764 respectively, and capital adequacy ratio of the Group and the Parent Bank is 17,08% and 16,87% respectively. As of December 31, 2019 has been in accordance with former regulations, thus equity of the Group and the Parent Bank is amounting to TL 4.824.465 and TL 4.762.444 respectively and the capital adequacy ratio was 20,60% and 20,42% respectively. Capital adequacy ratio of the Group is higher than the minimum rate required by the related regulations.

a) Information About Consolidated Shareholders' Equity Items:

	Current Period December 31, 2020	Prior Period December 31,2019
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	652.290
Share Premium	-	-
Reserves	2.488.156	2.009.284
Other Comprehensive Income according to TAS	9.735	26.011
Profit	452.732	478.872
Current Period Profit	452.732	478.872
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	-
Minorities' Share	-	-
Common Equity Tier I Capital Before Deductions	**3.602.913**	**3.166.457**
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	20.974	24.980
Leasehold Improvements on Operational Leases	30.488	34.569
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	181.806	168.439
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	-	(388)
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 1 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	**233.268**	**227.600**
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	303.430	404.572
Total Common Equity Tier I Capital	**3.673.075**	**3.343.429**

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

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

	Current Period December 31, 2020	Prior Period December 31,219
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)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
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 Consolidated 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)	**3.673.075**	**3.343.429**
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.247.686	1.249.437
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties' share in the Additional Tier II capital	-	-
Third parties' share in the Additional Tier II capital (Covered by Temporary Article 3)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	325.004	244.679
Total Deductions from Tier II Capital	**1.572.690**	**1.494.116**
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 Consolidated 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 Consolidated 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 (-)	226	135
Total Deductions from Tier II Capital	**226**	**135**
Total Tier II Capital	**1.572.464**	**1.493.981**
Total Equity (Total Tier I and Tier II Capital)	**5.245.539**	**4.837.410**
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	37.046	12.945
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 Consolidated 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 Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the10% 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 Consolidated 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	-	-

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

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

	Current Period December 31, 2020	Prior Period December 31,2020
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	5.208.493	4.824.465
Total Risk Weighted Assets	30.493.047	23.416.599
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	12,05	14,28
Consolidated Tier I Capital Ratio (%)	12,05	14,28
Consolidated Capital Adequacy Ratio (%)	17,08	20,60
BUFFERS		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,51	2,74
a) Capital Conservation Buffer Ratio (%)	2,50	2,50
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,01	0,24
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 (%)	3,53	7,04
Amounts Lower Than Excesses as per the Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Consolidated 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 Consolidated 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)	1.157.925	945.032
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	325.004	244.679
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 January 1, 2018-January 1, 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.

In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before March 23, 2020 classified under "securities at fair value through other comprehensive income" are not taken into consideration in the calculation of own funds according to BRSA note no.9312 dated December 8, 2020. Total Risk Weighted Assets are calculated with arithmetic average of the Central Bank of Turkey's spot purchase exchange rates for 252 working days before calculation date, according to BRSA note no.9312 dated December 8, 2020..

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

b) Items Included in Consolidated 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 consolidated and /or consolidated basis	Eligible
Instrument type	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.248
Nominal value of instrument	1.560
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	
If convertible, conversion trigger (s)	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, 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"

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

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

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

EQUITY ITEMS	T	T-1	T-2	T-3
Common Equity	3.673.075	3.571.932	3.470.788	3.369.645
Transition process not implemented Common Equity	3.369.645	3.369.645	3.369.645	3.369.645
Tier 1 Capital	3.673.075	3.571.932	3.470.788	3.369.645
Transition process not implemented Tier 1 Capital	3.369.645	3.369.645	3.369.645	3.369.645
Total Capital	5.208.493	5.107.350	5.006.206	4.905.063
Transition process not implemented Equity	4.905.063	4.905.063	4.905.063	4.905.063
TOTAL RISK WEIGHTED AMOUNTS				
Total Risk Weighted Amounts	30.493.047	30.493.047	30.493.047	30.493.047
CAPITAL ADEQUACY RATIO				
Common Equity	12,05	11,71	11,38	11,05
Transition process not implemented Common Equity Ratio (%)	11,05	11,05	11,05	11,05
Tier 1 Capital	12,05	11,71	11,38	11,05
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	11,05	11,05	11,05	11,05
Capital	17,08	16,75	16,42	16,09
Transition process not implemented Capital Adequacy Ratio (%)	16,09	16,09	16,09	16,09
LEVERAGE				
Leverage Ratio Total Risk Amount	67.820.242	67.820.242	67.820.242	67.820.242
Leverage (%)	5,34	5,27	5,12	4,97
Transition process not implemented Leverage Ratio (%)	4,97	4,97	4,97	4,97

c) Approaches For Assessment of Adequacy of Internal Capital Requirements For Current and Future Activities:

The Group'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 Parent 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. Related Application Instruction was last updated on October 24, 2019.

With this evaluation process, on a prospective basis ensuring the continuity of the legal minimum limits of capital, keeping capital adequately to support the Parent 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 consolidated balance sheet mainly arises from the general provision. 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 TFRS, 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".

As of January 1, 2019, the Group started to apply TFRS 9 "Financial Instruments Standard" and started to include the expected credit losses for financial assets in the financial statements as of this date. According to Temporary Article 5 of the "Regulation on Equities of Banks", the positive difference between the total expected loan loss reserve amount calculated as of the date when the expected credit loss provisions under TFRS 9 began to be separated and the total amount of provisions calculated before the implementation of TFRS 9, after the tax amount arising from the difference was deducted. Part has been subjected to a five-year transition period. The effects of this calculation are shown under the heading "Explanations on the temporary article 5 of the Regulation on Banks' Equity"

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

In terms of credit risks, subjecting borrower or a group of borrowers or geographic region and sectors to a risk limitation, the segmentation structure of the risk limits and determining the risk limit ranges:

Country risks that may be exposed due to international lending and international investment activities are monitored periodically in order to take necessary measures against the deterioriation that may occur in the macroeconomic environement. Limits for the country risk are determined as a certain percentage of equity on a country category basis. On a sectoral basis, risk limits are closely monitored by proportioning the risk for each sector to the total portfolio risk. In addition, limit and risk monitoring is performed on the basis of customer groups. The limits for a certain risk group are determined in accordance with the Banking law and other related legal regulations.

Determining daily risk limits and allocating risks regarding the transactions conducted, customer's and bank's treasury department staff based monitoring on daily risk concentrations of off-balance risks:

According to HSBC Group standards, in all banking transactions approval and control mechanisms and systematical limit and risk control mechanisms are available. In assigning loan limits, extending credit, derivative and other future delivery derivative transactions are conducted depending to management's authorization, approval and control processes. Customer's and bank's treasury department staff based monitoring is conducted on determining daily risk limits and risk allocations with risk concentrations regarding the balance sheet and off-balance transactions conducted. Product based risk parameters are considered when allocating limits for the derivative products.

The credit risk in the parent bank is managed taking legal limitations under legal regulations into consideration. In this scope, credit risk concentration is avoided.

Monitoring loan valuableness of the debtors of loan and other receivables at regular intervals in accordance with the relevant legislation, if the financial tables which are obtained for opened credits are audited in accordance with the relevant legislation or not, and if not the reasons of not auditing, changing the limits of loans, guarantees of the loans and other receivables:

Loan allocation decision is made by Credit Committee only if deemed reasonable. This decision is made according to the audited financial tables of the customer's. Cash or non-cash loans can be extended to the customers.

Loan value of receivables from loans and other receivables are regularly traced in accordance with the relevant legislation, if necessary, actions such as limit increasing and decreasing, and strengthening the guarantee structure can be taken. The obtained financial tables regarding the credit requests should be audited in accordance with the relevant legislation.

Bank's management has generated a customer degree (rating) system in order to determine loan value and the rate of risks of the corporate and personal loan customers which are subject to corporate.

II. EXPLANATIONS ON CREDIT RISK (Continued)

Corporate and Commercial Loan Portfolio Rating System:

Customer Risk Rating System (CRR Rating) shows the probabilities of the non-performing loans of the loan borrowers. CRR rating is a summarized risk indicator which indicates the loan borrower's financial situation, industry and past operations, management's skills and other information including the cash flow, profitability and debt situation.

Regardless of guarantees and limits of the companies, CRR rating evaluates the risks objectively and independently and indicates the customer risk profiles in all aspects. The responsibility of the compliance of the CRR rate given belongs to the staff who approved the last control. The reviews over the CRR rates given are conducted at least once in a year and at each credit application reviews. Also in necessary cases the units which approve loans can reassess the CRR rates and indicate necessary changes.

23 Basic customer risk rating ranges are as follows:

CRR 1.0-1.2 - Minimal Risk - The counterparty has an independent credit rating, possibly awarded by a publicly-held and reputable rating agency in one of the major exchanges. Firm's financial situation (equity capital, income, cash generating capacity and management functions) is perfect. CRR 1.0 rate indicates the best credit risk available and there is almost no risk that the firm may be unable to meet its obligations.

CRR 2.1-2.2 - Low Risk - The counterparty has an independent credit rating, possibly awarded by a publicly-held and reputable rating agency in one of the major exchanges. Financial situation, capital structure, profitability, liquidity, cash generation and management are very good. It is a strong credit risk with a low probability of default.

CRR 3.1-3.3 - Acceptable Risk – Firm is a private enterprise or publicly traded company that does not display a significant negative trend and has a satisfactory financial position. It is an acceptable credit risk with an acceptable risk of default.

CRR 4.1-4.3 - Reasonable Risk - Firm's financial situation is sufficiently consistent with a few important signs of financial concern. Defined weaknesses are acceptable at the general credit risk level. The default risk is reasonable, but may require more regular monitoring with respect to the stated risks.

CRR 5.1-5.3 - Moderate Risk - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is at an average level. Current situation is not ominous. However, firm's sensitivity to external events is needed to be observed more frequently and enhancing the firm's risk of inability to meet the obligations.

CRR 6.1-6.2 - Significant Risk - There is a known downtrend in the firm's financial situation (equity capital, income, cash generating capacity and management functions) and there are one or more problematic issues. Although, the current capacity of the firm is sufficient to meet its obligations, some potential risks may give harm to firm's financial situation. More frequent surveillance is needed. In normal situations, credit ratings made as CRR 6.0 are temporary and expected to change in maximum 18 months. Cash collateral credits can be given as an example of exception.

CRR 7.1-7.2 - High Risk - There is a continuous downtrend in the firm's financial situation and this situation is needed to be continuously observed and assessed. Although the firm is disquieting regarding the ability of meeting its obligations, it is thought that the firm has sufficient capacity to meet its obligations. The transfer of customer management to the Loan Monitoring Unit (LMU) should be evaluated.

CRR 8.1-8.3 - The Risk Requiring Special Management - The financial situation of the firm is generally weakened or payment capacity and intention has become suspicious. This situation is requiring continuous surveillance and assessment. Concerns regarding the firm's ability of meeting its obligations are growing and the possibilities of the firm's ability to meet its obligations are decreasing. Risk approval must be transferred to the Loan Monitoring (LMU) team unless there is a specific occasion.

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

CRR 9.0 - Suspicious - The possibility of collecting the full amount of principal and proceeds is very low. Provisions must be reserved. At least one of the situations below may be eventuated:

- Debtor, is late more than 90 days to meet its obligations to the Parent Bank.
- Achieving no results from debt restructuring approaches.
- Restructured debt lapsed into default again.
- Legal proceedings have begun.
- Debt was restructured by granting privilege to the firm due to financial difficulties.
- In some cases that risk is evaluated to be in restructuring, provisions may not be booked for related risks even the risks are in the scope of CRR 9.0 classification.

CRR 10.0 - Loss - Very low collection expectations. The remaining principal and interest balance should be written as loss soon as possible. The amount of doubtful receivable to meet the expected loss should be recorded.

a. Total amount of risks after offsetting transactions and average amount of risks allocated to different risk classes and types for relevant period without considering effects of credit risk mitigation:

Risk Classification(*)	Current Period Risk Amount	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or central banks	11.684.829	8.679.101
Conditional and unconditional receivables from regional governments or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	39	35
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	2.569.437	2.696.980
Conditional and unconditional corporate receivables	21.539.012	18.773.492
Conditional and unconditional retail receivables	2.954.853	2.838.473
Conditional and unconditional receivables secured by mortgages	2.077.619	1.581.283
Past due receivables	156.730	189.229
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-
Investments of natured collective investment enterprise	-	-
Stock Investments	-	-
Other receivables	1.406.825	1.287.933
Total	**42.389.344**	**36.046.526**

(*) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.
(**) The average risk amount is determined by taking the arithmetic mean of values in the month-end reports.

Risk Classification(*)	Current Period Risk Amount	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or central banks	4.306.208	4.301.708
Conditional and unconditional receivables from regional governments or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	41	38
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.793.173	2.396.790
Conditional and unconditional corporate receivables	14.993.921	15.219.320
Conditional and unconditional retail receivables	2.945.312	3.250.537
Conditional and unconditional receivables secured by mortgages	1.621.929	1.181.573
Past due receivables	230.388	257.768
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-
Investments of natured collective investment enterprise	-	-
Stock Investments	-	-
Other receivables	895.362	917.649
Total	**26.786.334**	**27.525.383**

(*) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.
(**) The average risk amount is determined by taking the arithmetic mean of values in the mont

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

b. Control limits on position of the Parent Bank's forward transactions and option agreements and other similar instruments, manageability of credit risk for these kind of instruments and the potential risks arising from the market movements:

The loan risks undertaken for the forward transactions, option agreements and similar instruments are monitored with considering the potential risks arising from the market movements and risk limit control is conducted from current market prices constantly.

c. When the Parent Bank is significantly subject to the loan risk, in order to reduce the total risks, the Group terminates the forward transactions, option and similar agreements in a short time period through using, fulfilling the acts or selling:

During the management of the balance sheet, interest and liquidity risks, the Parent Bank's constantly uses derivatives and its resources in the international financial markets within the limits allocated in order to reduce and control risks. When necessary portfolio based loan risks could be reduced with loan derivatives and suchlike instruments.

d. Risk weight subject to non-cash loans turned into cash loans:

As of December 31, 2020, the Group has TL 1 (December 31, 2019: TL 3.360) of non-cash loans turned into cash loans.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

Allocation of the non-cash loans turned into cash loans are presented in the table below:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Letters of Guarantee	1	-	-	-
Prefinancing Loans	-	-	-	-
Commercial Letter of Credit Commitments	-	-	3.360	-
Factoring Guarantees	-	-	-	-
Bad Check Payments	-	-	-	-
Other Liabilities	-	-	-	-
Total	**1**	**-**	**3.360**	**-**

Information on whether the loans that are renewed and rescheduled are included in a new rating group as determined by the Group's risk management system, other than the follow-up plan defined in the banking regulations or not; whether new precautions are considered in these methods or not; whether the Group's risk management accepts long term commitments as having more risk than short term commitments which results in a diversification of risk or not;

All loans are evaluated considering the credit rating of the client. Loans that are bound to a redemption plan are followed in a separate category as closely followed risky loans. Risk levels of the loans bound to a redemption plan are updated according to the rating system of the Group. In the firms whose risk level increases, certain actions are taken with regard to risk management, such as risk is registered as liquidation, guarantee is improved or limits are decreased.

II. EXPLANATIONS ON CREDIT RISK (Continued)

e. Evaluation of the significance of country specific risk if the Group's have foreign operationsand credit transactions in a few countries or these operations are coordinated with a few financial entities:

Since the Parent Bank carries out its foreign banking transactions and credit facilities through a widespread correspondent network and HSBC Group banks by revising and following the credit ratings of OECD countries and relevant institutions, country risks, market conditions, it is thought that there is no significant risk element.

Evaluation of the Parent Bank's competitive credit risk as being an active participant in the international banking transactions market:

The credit risk in the parent bank is managed taking legal limitations under legal regulations into consideration. In this scope, credit risk concentration is avoided.

f. The proportion of the Group's top 100 and 200 cash loan balances in total cash loans: 80% and 88% (December 31, 2019: 78% and 83%).

The proportion of the Group's top 100 and 200 non-cash loan balances in total non-cash loans: 96% and 100% (December 31, 2019: 96% and 100%).

The proportion of the Group's cash and non-cash loan balances with the first 100 and 200 customers comprises of total cash loans and non-cash loans: 74% and 87% (December 31, 2019: 73% and 84%).

g. 1. Stage and 2. Stage loan loss provision booked by the Group: TL 1.157.926 (December 31, 2019: TL 945.032).

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

h. Profile on significant risk in significant regions, risk profile according to sectors and counterparties and term distribution of risks with term structure

Current Period	**Risk Categories (*)**																	
December 31, 2020	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
Domestic	11.684.829	-	39	-	-	1.795.994	21.240.132	2.919.726	2.069.977	156.515	-	-	-	-	-	-	1.406.825	41.274.037
European Union Countries	-	-	-	-	-	527.672	112.777	11.057	295	201	-	-	-	-	-	-	-	652.002
OECD Countries (**)	-	-	-	-	-	68.440	-	856	19	-	-	-	-	-	-	-	-	69.315
Off – Shore Banking Regions	-	-	-	-	-	49.179	-	456	-	-	-	-	-	-	-	-	-	49.635
USD, Canada	-	-	-	-	-	29.466	168.212	2.366	-	5	-	-	-	-	-	-	-	200.049
Other Countries	-	-	-	-	-	98.686	17.891	20.392	7.328	9	-	-	-	-	-	-	-	144.306
Associates, Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**11.684.829**	**-**	**39**	**-**	**-**	**2.569.437**	**21.539.012**	**2.948.652**	**2.077.619**	**156.730**	**-**	**-**	**-**	**-**	**-**	**-**	**1.406.825**	**42.389.344**

(*) Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks".
(**) OECD countries other than EU Countries, USA and Canada.
(***) Assets and liabilities that are not distributed according to a consistent principle

1 Conditional and unconditional receivables from central governments or central banks
2 Conditional and unconditional receivables from regional governments or local governments
3 Conditional and unconditional receivables from administrative units and non-commercial enterprises
4 Conditional and unconditional receivables from multilateral development banks
5 Conditional and unconditional receivables from international organizations
6 Conditional and unconditional receivables from banks and brokerage houses
7 Conditional and unconditional corporate receivables
8 Conditional and unconditional retail receivables
9 Conditional and unconditional receivables secured by mortgages
10 Past due receivables
11 Receivables defined in high risk category by BRSA
12 Securities collateralized by mortgages
13 Securitization positions
14 Short-term receivables from to banks, brokerage houses and corporates
15 Investments of natured collective investment enterprise
16 Stock Investments
17 Other receivables

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

Prior Period	**Risk Categories (*)**																	
December 31, 2019	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
Domestic	4.306.208	-	41	-	-	906.100	14.893.552	2.912.209	1.617.445	230.077	-	-	-	-	-	-	895.362	25.760.994
European Union Countries	-	-	-	-	-	622.043	86.271	12.623	772	287	-	-	-	-	-	-	-	721.996
OECD Countries (**)	-	-	-	-	-	85.561	-	1.031	-	-	-	-	-	-	-	-	-	86.592
Off – Shore Banking Regions	-	-	-	-	-	51.268	-	374	-	-	-	-	-	-	-	-	-	51.642
USD, Canada	-	-	-	-	-	14.808	11.968	2.045	-	14	-	-	-	-	-	-	-	28.835
Other Countries	-	-	-	-	-	113.393	2.130	17.030	3.712	10	-	-	-	-	-	-	-	136.275
Associates, Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**4.306.208**	**-**	**41**	**-**	**-**	**1.793.173**	**14.993.921**	**2.945.312**	**1.621.929**	**230.388**	**-**	**-**	**-**	**-**	**-**	**-**	**895.362**	**26.786.334**

(*) Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks".
(**) OECD countries other than EU Countries, USA and Canada.
(***) Assets and liabilities that are not distributed according to a consistent principle

1 Conditional and unconditional receivables from central governments or central banks
2 Conditional and unconditional receivables from regional governments or local governments
3 Conditional and unconditional receivables from administrative units and non-commercial enterprises
4 Conditional and unconditional receivables from multilateral development banks
5 Conditional and unconditional receivables from international organizations
6 Conditional and unconditional receivables from banks and brokerage houses
7 Conditional and unconditional corporate receivables
8 Conditional and unconditional retail receivables
9 Conditional and unconditional receivables secured by mortgages
10 Past due receivables
11 Receivables defined in high risk category by BRSA
12 Securities collateralized by mortgages
13 Securitization positions
14 Short-term receivables from to banks, brokerage houses and corporates
15 Investments of natured collective investment enterprise
16 Stock Investments
17 Other receivables

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

i. Risk profile according to Sectors and Counterparties:

Current Period
December 31, 2020

	Risk Categories (*)																	
Sectors/Counterparties	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**
Agricultural	**-**	**-**	**-**	**-**	**-**	**-**	**85.688**	**-**	**-**	**30**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.495**
Farming and Raising Livestock	-	-	-	-	-	-	72.274	-	-	-	-	-	-	-	-	-	-	3.456
Forestry	-	-	-	-	-	-	2	-	-	22	-	-	-	-	-	-	-	24
Fishing	-	-	-	-	-	-	13.412	-	-	8	-	-	-	-	-	-	-	15
Industry	**-**	**-**	**33**	**-**	**-**	**-**	**11.421.817**	**-**	**169.952**	**117.100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.642.010**
Mining and Quarrying	-	-	-	-	-	-	58.444	-	-	28	-	-	-	-	-	-	-	20.110
Production	-	-	33	-	-	-	9.503.804	-	169.952	117.015	-	-	-	-	-	-	-	4.426.868
Electricity,Gas,Water	-	-	-	-	-	-	1.859.569	-	-	57	-	-	-	-	-	-	-	195.032
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**2.418.074**	**-**	**1.626.279**	**2.696**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**151.241**
Services	**11.684.829**	**-**	**1**	**-**	**-**	**2.569.437**	**5.474.979**	**-**	**85.624**	**18.212**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9.598.859**
Wholesale and Retail Trade	-	-	-	-	-	-	3.356.231	-	60.491	16.297	-	-	-	-	-	-	-	2.143.166
Hotel and Beverage Service	-	-	-	-	-	-	233.708	-	22.588	1.535	-	-	-	-	-	-	-	12.357
Transportation and Telecommunication	-	-	-	-	-	-	1.745.838	-	-	371	-	-	-	-	-	-	-	550.668
Financial Institutions	11.684.829	-	-	-	-	2.569.437	30.492	-	-	-	-	-	-	-	-	-	-	6.788.418
Real Estate and Lending Service	-	-	-	-	-	-	2.712	-	-	-	-	-	-	-	-	-	-	2.712
Self-Employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Service	-	-	1	-	-	-	3	-	-	6	-	-	-	-	-	-	-	10
Health and Social Services	-	-	-	-	-	-	105.995	-	2.545	3	-	-	-	-	-	-	-	101.528
Other	**-**	**-**	**5**	**-**	**-**	**-**	**2.138.454**	**2.954.853**	**195.764**	**18.692**	**-**	**-**	**-**	**-**	**-**	**-**	**1.406.825**	**4.798.414**
TOTAL	**11.684.829**	**-**	**39**	**-**	**-**	**2.569.437**	**21.539.012**	**2.954.853**	**2.077.619**	**156.730**	**-**	**-**	**-**	**-**	**-**	**-**	**1.406.825**	**19.194.019**

(*)Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks".

1Conditional and unconditional receivables from central governments or central banks
2Conditional and unconditional receivables from regional governments or local governments
3Conditional and unconditional receivables from administrative units and non-commercial enterprises
4 Conditional and unconditional receivables from multilateral development banks
5 Conditional and unconditional receivables from international organizations
6 Conditional and unconditional receivables from banks and brokerage houses
7 Conditional and unconditional corporate receivables
8 Conditional and unconditional retail receivables
9 Conditional and unconditional receivables secured by mortgages
10 Past due receivables
11 Receivables defined in high risk category by BRSA
12 Securities collateralized by mortgages
13 Securitization positions
14 Short-term receivables from to banks, brokerage houses and corporates
15 Investments of natured collective investment enterprise
16 Stock Investments
17 Other receivables

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

Prior Period December 31, 2019	**Risk Categories (*)**																	
Sectors/Counterparties	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**
Agricultural	**-**	**-**	**-**	**-**	**-**	**-**	**43.116**	**-**	**-**	**31**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10.285**
Farming and Raising Livestock	-	-	-	-	-	-	10.229	-	-	-	-	-	-	-	-	-	-	10.229
Forestry	-	-	-	-	-	-	16	-	-	22	-	-	-	-	-	-	-	38
Fishing	-	-	-	-	-	-	32.871	-	-	9	-	-	-	-	-	-	-	18
Industry	**-**	**-**	**33**	**-**	**-**	**-**	**8.370.444**	**76.191**	**88.044**	**136.919**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.226.054**
Mining and Quarrying	-	-	-	-	-	-	23.981	-	-	2.953	-	-	-	-	-	-	-	3.004
Production	-	-	33	-	-	-	7.287.338	76.191	88.044	133.911	-	-	-	-	-	-	-	4.103.729
Electricity,Gas,Water	-	-	-	-	-	-	1.059.125	-	-	55	-	-	-	-	-	-	-	119.321
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**1.145.297**	**-**	**1.206.084**	**4.133**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**133.842**
Services	**4.306.208**	**-**	**3**	**-**	**-**	**1.793.173**	**3.154.853**	**-**	**87.814**	**54.386**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.330.230**
Wholesale and Retail Trade	-	-	-	-	-	-	1.546.448	-	67.180	52.121	-	-	-	-	-	-	-	925.527
Hotel and Beverage Service	-	-	-	-	-	-	231.560	-	17.940	1.695	-	-	-	-	-	-	-	24.720
Transportation and Telecommunication	-	-	-	-	-	-	1.175.207	-	149	551	-	-	-	-	-	-	-	135.754
Financial Institutions	4.306.208	-	-	-	-	1.793.173	70.826	-	-	-	-	-	-	-	-	-	-	3.125.724
Real Estate and Lending Service	-	-	-	-	-	-	4.888	-	-	9	-	-	-	-	-	-	-	4.897
Self-Employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Service	-	-	3	-	-	-	48	-	-	-	-	-	-	-	-	-	-	51
Health and Social Services	-	-	-	-	-	-	125.876	-	2.545	10	-	-	-	-	-	-	-	113.557
Other	**-**	**-**	**5**	**-**	**-**	**-**	**2.280.211**	**2.869.121**	**239.987**	**34.919**	**-**	**-**	**-**	**-**	**-**	**-**	**895.362**	**4.751.582**
TOTAL	**4.306.208**	**-**	**41**	**-**	**-**	**1.793.173**	**14.993.921**	**2.945.312**	**1.621.929**	**230.388**	**-**	**-**	**-**	**-**	**-**	**-**	**895.362**	**13.451.993**

(*)Risk categories that are defined in “Communiqué on Measurement and Assessment of Capital Adequacy of Banks”.

1Conditional and unconditional receivables from central governments or central banks
2Conditional and unconditional receivables from regional governments or local governments
3Conditional and unconditional receivables from administrative units and non-commercial enterprises
4 Conditional and unconditional receivables from multilateral development banks
5 Conditional and unconditional receivables from international organizations
6 Conditional and unconditional receivables from banks and brokerage houses
7 Conditional and unconditional corporate receivables
8 Conditional and unconditional retail receivables
9 Conditional and unconditional receivables secured by mortgages
10 Past due receivables
11 Receivables defined in high risk category by BRSA
12 Securities collateralized by mortgages
13 Securitization positions
14 Short-term receivables from to banks, brokerage houses and corporates
15 Investments of natured collective investment enterprise
16 Stock Investments
17 Other receivables

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

j. Term Distribution of Risks with Term Structure:

	Time to maturity				
Current Period-Risk Categories (*)	**Up to 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**Over 1 year**
Conditional and conditional receivables from central governments or central banks	5.688.114	5.682	78.342	279.040	4.668.647
Conditional and conditional receivables from regional governments or local governments	-	-	-	-	-
Conditional and conditional receivables from administrative units and non-commercial enterprises	38	-	-	-	1
Conditional and conditional receivables from multilateral development Banks	-	-	-	-	-
Conditional and conditional receivables from international organizations	-	-	-	-	-
Conditional and conditional receivables from banks and brokerage houses	175.066	65.152	560.025	1.164.451	579.453
Conditional and conditional corporate receivables	1.551.052	3.930.920	4.032.131	5.795.907	6.229.002
Conditional and conditional retail receivables	1.941.026	129.381	32.551	117.172	734.723
Conditional and conditional receivables secured by mortgages	103.653	233.096	4.904	8.662	1.727.304
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	22.933	-	-	-	-
TOTAL	**9.481.882**	**4.364.231**	**4.707.953**	**7.365.232**	**13.939.130**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration

	Time to maturity				
Prior Period-Risk Categories (*)	**Up to 1 month**	**Up to 1 month**	**Up to 1 month**	**Up to 1 month**	**Up to 1 month**
Conditional and conditional receivables from central governments or central banks	2.035.380	-	14.879	498.825	733.235
Conditional and conditional receivables from regional governments or local governments	-	-	-	-	-
Conditional and conditional receivables from administrative units and non-commercial enterprises	39	-	-	-	2
Conditional and conditional receivables from multilateral development Banks	-	-	-	-	-
Conditional and conditional receivables from international organizations	-	-	-	-	-
Conditional and conditional receivables from banks and brokerage houses	944.684	52.795	277.471	113.809	393.440
Conditional and conditional corporate receivables	4.239.893	1.355.417	2.137.754	2.109.315	5.151.542
Conditional and conditional retail receivables	2.046.177	170.967	21.322	86.530	620.316
Conditional and conditional receivables secured by mortgages	97.932	1.579	3.837	10.731	1.507.850
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	12.793	-	-	-	-
TOTAL	**9.376.898**	**1.580.758**	**2.455.263**	**2.819.210**	**8.406.385**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

k. Explanations regarding risk categories mentioned in 6th clause of Capital Adequacy Measurement and Evaluation Communiqué:

An international rating firm, Moody' s Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Additionally, grades of Moody's Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties at abroad. Counter parties resident are accepted as "unrated" and take risk weight suited for "unrated" category in relevant risk class.

Rating scores;

1. Receivables from Central Governments or Central Banks
2. Receivables from Banks and Brokerage Houses are used in risk classes

While credit quality level grade given by Moody's Ratings International Rating Agency decreases to 4, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of Receivables from Central Governments or Central Banks.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer's credit rating is considered in the absence of export rating

		Risk Categories		
			Exposures to Central Governments or Central Banks	
Credit Quality Degrees	Moody's Risk Rating	Exposures to Central Governments or Central Banks	Exposures with Remaining Maturities More Than 3 Months	Exposures with Remaining Maturities More Than 3 Months
1	Aaa Aa1 Aa2 Aa3	0%	20%	20%
2	A1 A2 A3	20%	20%	50%
3	Baa1 Baa2 Baa3	50%	20%	50%
4	Ba1 Ba2 Ba3	100%	50%	100%
5	B1 B2 B3	100%	50%	100%
6	Caa1 Caa2 Caa3 Ca C	150%	150%	150%

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

l. Risk Amounts According to Risk Weights:

December 31, 2020	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted From Equity
1.Amount Before Credit Risk Mitigation	12.596.863	-	245.760	-	2.295.810	3.072.627	24.140.432	37.852	-	-	-	249.340
2.Amount After Credit Risk Mitigation	12.596.863	-	660.192	140.352	5.169.904	2.766.175	21.103.688	37.231	-	-	-	249.340

December 31, 2019	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted From Equity
1.Amount Before Credit Risk Mitigation	4.858.789	-	1.164.689	-	386.105	3.046.281	17.273.907	56.563	-	-	-	215.953
2.Amount After Credit Risk Mitigation	4.858.789	-	1.164.689	204.051	1.713.188	2.697.877	16.305.124	56.547	-	-	-	215.953

m. Sector or type of counterparty; separately impaired loans and amount of non-performing loans, value adjustments and provisions, amount of value adjustments and provisions during period:

Miscellaneous Information regarding Major Sectors or Counterparty Type:

Current Period	**Credits**		
Major Sectors/ Counterparties	**Significant Increase in Credit (Stage 2) (*)**	**Defaulted (Stage 3)**	**Provision of Expected Credit Losses (TFRS 9)**
Agricultural	**15.182**	**179**	**150**
Farming and Raising livestock	-	62	39
Forestry	-	-	-
Fishing	15.182	117	111
Industry	**2.422.108**	**255.006**	**155.092**
Mining and Quarrying	29.650	638	1.160
Production	1.567.282	254.310	153.931
Electricity, Gas, Water	825.176	58	1
Construction	**1.808.111**	**111.921**	**96.729**
Services	**2.487.127**	**33.765**	**15.590**
Wholesale and Retail Trade	294.245	25.079	8.866
Hotel and Beverage Services	273.608	1.692	167
Transportation and Telecommunication	850.439	1.507	1.139
Financial Institutions	58.501	-	-
Real Estate and Lending Services	879.854	1.030	986
Self-Employment Services	120.000	74	55
Education Services	-	804	798
Health and Social Services	10.480	3.579	3.579
Other	**408.409**	**220.770**	**210.210**
Total	**7.140.937**	**621.641**	**477.771**

(*) Close monitoring amounts

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

Prior Period	Credits		
Major Sectors/ Counterparties	**Significant Increase in Credit (Stage 2) (*)**	**Defaulted (Stage 3)**	**Provision of Expected Credit Losses (TFRS 9)**
Agricultural	**32.862**	**175**	**148**
Farming and Raising livestock	-	58	38
Forestry	-	-	-
Fishing	32.862	117	110
Industry	**2.145.527**	**262.980**	**154.943**
Mining and Quarrying	23.745	4.082	1.135
Production	1.385.951	258.841	153.807
Electricity, Gas, Water	735.831	57	1
Construction	**670.428**	**95.535**	**74.023**
Services	**1.698.143**	**88.161**	**34.186**
Wholesale and Retail Trade	41.016	79.267	27.372
Hotel and Beverage Services	233.729	1.809	136
Transportation and Telecommunication	252.855	1.523	1.179
Financial Institutions	-	-	-
Real Estate and Lending Services	1.166.400	1.081	1.031
Self-Employment Services	1	73	55
Education Services	-	804	804
Health and Social Services	4.142	3.604	3.609
Other	**432.910**	**260.628**	**223.695**
Total	**4.979.870**	**707.479**	**486.995**

(*) Close monitoring amounts

n. Reconciliation of changes in value adjustments and provisions for impaired loan (if possible on basis of geographic regions):

Current Period December 31, 2020	Opening Balance	TFRS 9 Transition Balance	Provisions provided during the period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	486.995	-	76.170	(48.686)	(36.708)	477.771
General Provisions (**)	945.032	-	396.568	(183.675)	-	1.157.925

(*) Represents other adjustments that are written off from assets and the sales from non-performing loans portfolio.
(**) Includes general provision for non-cash loans

Prior Period December 31, 2020	Opening Balance	TFRS 9 Transition Balance	Provisions provided during the period	Provision Reversals	Other Adjustments(*)	Closing Balance
Specific Provisions	690.775	(46.389)	124.653	-	(282.044)	486.995
General Provisions (**)	404.760	540.368	221.474	(221.570)	-	945.032

(*) Represents other adjustments that are written off from assets and the sales from non-performing loans portfolio.
(**) Includes general provision for non-cash loans

o. The movement of specific provision of the Parent Bank's loan and other receivables:

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2020	**182.102**	**100.471**	**204.422**	**486.995**
Transferred during the period	23.713	13.263	39.194	76.170
Collection during the period	(18.849)	(8.273)	(21.564)	(48.686)
Write-off/sold	(8.665)	(6.337)	(21.706)	(36.708)
December 31, 2020	**178.301**	**99.124**	**200.346**	**477.771**

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

II. EXPLANATIONS ON CREDIT RISK (Continued)

	Commercial Loans	Consumer Loans	Credit Cards	Total
January 1, 2019	**209.657**	**149.349**	**331.769**	**690.775**
TFRS 9 Transition Balance	(51.843)	16.285	(10.831)	(46.389)
Transferred during the period	59.934	39.407	103.347	202.688
Collection during the period	(33.032)	(12.582)	(32.421)	(78.035)
Write-off/sold	(2.614)	(91.988)	(187.442)	(282.044)
December 31, 2019	**182.102**	**100.471**	**204.422**	**486.995**

p. Information on types of loans and provisions:

	Commercial Loans	Consumer Loans	Credit Cards	Total
Current Period - December 31, 2020				
Standard loans	16.004.074	1.084.250	1.483.989	18.572.313
Close monitoring loans	6.711.762	115.342	313.833	7.140.937
Non-performing loans	291.700	113.287	216.654	621.641
Specific provisions (-)	178.301	99.124	200.346	477.771
Total	**22.829.235**	**1.213.755**	**1.814.130**	**25.857.120**

(*) Includes the factoring receivables amounting to TL 59.847.

	Commercial Loans	Consumer Loans	Credit Cards	Total
Prior Period - December 31, 2019				
Standard loans	9.514.192	979.679	1.519.870	12.013.741
Close monitoring loans	4.500.874	139.134	339.862	4.979.870
Non-performing loans	348.999	124.618	233.862	707.479
Specific provisions (-)	182.102	100.471	204.422	486.995
Total	**14.181.963**	**1.142.960**	**1.889.172**	**17.214.095**

(*) Includes the factoring receivables amounting to TL 126.556.

r. Information on collaterals for non-performing loans of the Parent Bank:

	Current Period December 31, 2020 Collateral Value	Prior Period December 31, 2019 Collateral Value
Mortgages	193.016	252.610
Pledged Vehicle	8.968	2.331
Cheques and Notes	-	-
Cash	115	-
Total	**202.099**	**254.941**

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

III. EXPLANATIONS ON CONSOLIDATED COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION

Current Period December 31, 2020	Private sector credit exposures in banking book	Risk weighted equivalent trading book	Total
Turkey	28.702.791	704.628	29.407.419
Great Britain	82.874	320.050	402.924
Germany	98.534	76	98.610
Spain	63.137	-	63.137
Romania	68	-	68
Canada	135.595	-	135.595
Republic of China	16.024	-	16.024
France	13.265	306	13.571
Japan	19.875	-	19.875
Sweden	8.912	-	8.912
Other	332.309	1.156	333.465

Prior Period December 31, 2019	Private sector credit exposures in banking book	Risk weighted equivalent trading book	Total
Turkey	18.718.039	937.078	19.655.117
Great Britain	221.528	228.328	449.856
Germany	134.330	58	134.388
Spain	54.112	-	54.112
Romania	45	-	45
Canada	12.273	-	12.273
Republic of China	25.821	-	25.821
France	13.936	17.543	31.479
Japan	11.979	-	11.979
Sweden	8.809	-	8.809
Other	2.035.109	1.156	2.036.265

IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

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 Group makes tiny distinctions and generally attentive to not taking long position when organizing the currency risk. In organizing foreign currency positions, the Parent 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 Group, 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.

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

IV . EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

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 Parent Bank For The Last Five Business Days Prior to The Financial Statement Date:

The Parent 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 – December 31, 2020	**USD ($)**	**Euro (€)**
Balance Sheet Date		
Bank Evaluation Rate	7,4267	9,1029
Prior Balance Sheet Date		
December 30, 2020	7,3704	9,0579
December 29, 2020	7,3892	9,0510
December 28, 2020	7,5846	9,2506
December 25, 2020	7,5846	9,2506
December 24, 2020	7,5846	9,2506

Prior Period – December 31, 2019	**USD ($)**	**Euro (€)**
Balance Sheet Date		
Bank Evaluation Rate	5,9497	6,6779
Prior Balance Sheet Date		
December 30, 2019	5,9411	6,6546
December 27, 2019	5,9576	6,6579
December 26, 2019	5,9487	6,5944
December 25, 2019	5,9487	6,5944
December 24, 2019	5,9487	6,5944

e) The Simple Arithmetic Average of The Group's Foreign Exchange Bid Rates For The Last Thirty Days Preceding The Balance Sheet Date For Major Foreign Currencies:

As of December 2020, the Group's simple arithmetic average foreign exchange rate for USD is TL 7,7069 (December 2019: TL 5,8610) and exchange rate for Euro is TL 9,3823 (December 2019: TL 6,5110).

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

IV . EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

f) Information Related to Group's Currency Risk:

Current Period – December 31, 2020	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	3.628.018	1.926.942	1.341.137	6.896.097
Banks	1.052	21.062	4.988	27.102
Financial Assets at Fair Value through Profit or Loss (Net) (***)	573.662	1.190.544	13.018	1.777.224
Interbank Money Market Placements	-	1.152.745	-	1.152.745
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	8.688.595	6.686.917	10.279	15.385.791
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	2.254	58.708	78	61.040
Total Assets	**12.893.581**	**11.036.918**	**1.369.500**	**25.299.999**
Liabilities				
Bank Deposits	8	20	-	28
Foreign Currency Deposits	3.862.927	12.386.222	6.159.276	22.408.425
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	455.231	3.128.794	-	3.584.025
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	4.402	176.105	1.523	182.030
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	516.645	1.074.665	12.773	1.604.083
Total Liabilities	**4.839.213**	**16.765.806**	**6.173.572**	**27.778.591**
Net on Balance Sheet Position (****)	**8.054.368**	**(5.728.888)**	**(4.804.072)**	**(2.478.592)**
Net Off-Balance Sheet Position (****)	**(7.851.066)**	**6.007.765**	**4.787.729**	**2.944.428**
Financial Derivative Assets	12.881.196	27.369.590	7.603.286	47.854.072
Financial Derivative Liabilities	20.732.262	21.361.825	2.815.557	44.909.644
Non-cash Loans	1.403.047	3.101.839	484.277	4.989.163
Prior Period – December 31, 2019				
Total Assets	6.538.659	12.105.458	614.229	19.258.346
Total Liabilities	7.033.694	12.456.343	3.620.321	23.110.358
Net on-Balance Sheet Position	**(495.035)**	**(350.885)**	**(3.006.092)**	**(3.852.012)**
Net off-Balance Sheet Position	**501.101**	**976.514**	**3.042.133**	**4.519.748**
Financial Derivative Assets	11.806.580	19.194.480	5.145.378	36.146.438
Financial Derivative Liabilities	11.305.479	18.217.966	2.103.245	31.626.690
Non-cash Loans	1.299.447	1.936.838	380.093	3.616.378

(*) As of December 31, 2020, total loans amount consists foreign indexed loans amounting to TL 8.322 (December 31, 2019: TL 19.743).
(**) Other liabilities consists derivative financial liabilities amounting to TL 1.508.553 (December 31, 2019:TL 975.820).
(***) Financial assets at fair value through profit or loss consists derivative financial assets amounting to TL 1.611.884 (December 31, 2019: 1.110.614).
(****) It is consist of long positions on the balance sheet for stage 1&2 foreign currency expected credit losses in accordance with TFRS 9.

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

IV . EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

As of December 31, 2020 and December 31, 2019, if Bank's foreign currency position had depreciated by 10% against TL with all other variables held constant, the changes in profit before tax and equity mainly as a result of foreign exchange losses are disclosed as following:

	Current Period December 31, 2020	
	Income Statament	**Equity(*)**
USD	27.888	27.888
EURO	20.330	20.330
Other	(1.634)	(1.634)
Total	**46.584**	**46.584**

(*) The effect of equity also includes the effect of income statement.

	Prior Period December 31, 2019	
	Income Statament	**Equity(*)**
USD	62.563	62.563
EURO	607	607
Other	3.604	3.604
Total	**66.774**	**66.774**

(*) The effect of equity also includes the effect of income statement.

As of December 31, 2020 and December 31, 2019, as a result of 10% appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

There is a short term interest sensitivity gap at the balance sheet of the Parent 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 Parent 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 – December 31, 2020	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 (*)	6.129.074	-	-	-	-	961.945	7.091.019
Banks (*)	-	-	-	-	-	29.677	29.677
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	324.697	524.241	436.500	361.959	728.490	5.566	2.381.453
Interbank Money Market Placements (*)	3.333.610	-	-	-	-	-	3.333.610
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	346.278	4.538.035	130.612	-	5.014.925
Loans	3.870.997	4.745.879	8.716.915	6.260.141	988.494	143.870	24.726.296
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	924	-	43	32.317	-	905.161	938.445
Total Assets	**13.659.302**	**5.270.120**	**9.499.736**	**11.192.452**	**1.847.596**	**2.046.219**	**43.515.425**
Liabilities							
Bank Deposits	497.127	-	-	-	-	163.952	661.079
Other Deposits	12.915.713	2.686.565	261.284	1.515	-	14.396.922	30.261.999
Funds from Interbank Money Market	1.242.251	-	-	-	-	-	1.242.251
Miscellaneous Payables	-	-	-	-	-	636.998	636.998
Issued Marketable Securities (Net)	-	-	951.920	-	-	-	951.920
Funds Borrowed	2.212.461	1.199.809	171.755	-	-	-	3.584.025
Other Liabilities (**) (***)	309.087	462.084	545.320	607.884	620.640	3.632.138	6.177.153
Total Liabilities	**17.176.639**	**4.348.458**	**1.930.279**	**609.399**	**620.640**	**18.830.010**	**43.515.425**
Balance Sheet Long Position	-	921.662	7.569.457	10.583.053	1.226.956	-	20.301.128
Balance Sheet Short Position	(3.517.337)		-	-	-	(16.783.791)	(20.301.128)
Off-Balance Sheet Long Position	-	-	172.291	-	-	-	172.291
Off-Balance Sheet Short Position	(602.601)	(22.845)	-	(14.500)	-	-	(639.946)
Total Position	**(4.119.938)**	**898.817**	**7.741.748**	**10.568.553**	**1.226.956**	**(16.783.791)**	**(467.655)**

(*) 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 2.437.

(**) 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".

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period – December 31, 2019	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	-	-	-	-	-	3.111.287	3.111.287
Banks	14	-	-	-	-	11.347	11.361
Financial Assets at Fair Value Through Profit or Loss (Net) (*)	171.264	606.601	302.726	580.485	401.565	32.788	2.095.429
Interbank Money Market Placements	10.994.329	-	-	-	-	-	10.994.329
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	498.825	482.253	249.620	-	1.230.698
Loans	6.428.441	1.316.312	2.982.240	4.738.816	609.071	220.484	16.295.364
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.052	-	51	244.797	-	974.501	1.220.401
Total Assets	**17.595.100**	**1.922.913**	**3.783.842**	**6.046.351**	**1.260.256**	**4.350.407**	**34.958.869**
Liabilities							
Bank Deposits	107.446	-	-	-	-	127.864	235.310
Other Deposits	18.415.927	3.242.756	394.864	5.358	-	5.446.050	27.504.955
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	449.882	449.882
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	1.337.281	-	-	-	-	30.720	1.368.001
Other Liabilities (**)	76.474	531.032	372.427	658.415	552.927	3.209.446	5.400.721
Total Liabilities	**19.937.128**	**3.773.788**	**767.291**	**663.773**	**552.927**	**9.263.962**	**34.958.869**
Balance Sheet Long Position	-	-	3.016.551	5.382.578	707.329	-	9.106.458
Balance Sheet Short Position	(2.342.028)	(1.850.875)	-	-	-	(4.913.555)	(9.106.458)
Off-Balance Sheet Long Position	60.417	27.581	-	11.982	-	-	99.980
Off-Balance Sheet Short Position	-	-	(19.106)	-	-	-	(19.106)
Total Position	**(2.281.611)**	**(1.823.294)**	**2.997.445**	**5.394.560**	**707.329**	**(4.913.555)**	**80.874**

(*) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with T.R. Central Bank, Banks and Receivables from Money Markets includes amount of TL 446 expected loss provision.

(**) 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".

b) Effective Average Interest Rates For Monetary Financial Instruments:

Current Period – December 31, 2020	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	-	-	-	12,00
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	3,30	4,97	-	14,18
Interbank Money Market Placements	-	0,06	-	17,99
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	14,62
Loans	3,83	4,45	-	12,52
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	11,56
Other Deposits	0,07	0,38	-	12,87
Funds From Interbank Money Market	-	-	-	14,94
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	15,00
Funds Provided from Other Financial Institutions	2,25	4,26	-	-

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

V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period – December 31, 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	-	-	-	-
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	3,29	5,82	-	9,27
Interbank Money Market Placements	-	1,55	-	11,40
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	13,83
Loans	4,23	6,33	-	17,47
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	5,27
Other Deposits	0,40	1,52	-	9,64
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	-	7,51	-	-

c) Interest rate risk on banking book:

(i) Nature of interest rate risk resulted from banking book, major assumptions including also assumption on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk

The interest rate risk resulted from banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulted from the banking book.

In addition to, interest rate gap analysis on asset and liability items that are sensitive interest rate that to be behavioural approach with internal method, net interest margin stress test and economic value of capital analysis are performed and evaluated at ALCO and Market Risk Committee. That internal methods, balance sheet items such as prepayment risk of mortgage risk, demand deposit that not contain specific maturity in terms of interest rate risk, credit cards, overdraft account and free capital are assessed process of behavioural approach and analysed interest rate risk according to it.

Interest rate risk arising from banking book is managed with risk reduction according to determined internal limits and hedging transactions by Board of Director

(ii) Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Bank's Banking Book as per Standard Shock Method

December 31, 2020	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(460.570)	(8,84) %
2. TL	(400)	429.461	8,25%
3. EURO	200	(47.005)	(0,90) %
4. EURO	(200)	(11.902)	(0,23) %
5. USD	200	14.961	0,29%
6. USD	(200)	(1.325)	(0,03) %
Total (of Negative Shocks)		**416.234**	**7,99%**
Total (of Positive Shocks)		**(492.614)**	**(9,46) %**

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

V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

December 31, 2019	**Shocks Applied (+/- x basis point)**	**Gains / Losses**	**Gains / Equity - Losses / Equity**
Type of Currency			
1. TL	500	(210.647)	(4,37)%
2. TL	(400)	198.439	4,11%
3. EURO	200	(176.633)	(3,66)%
4. EURO	(200)	(18.624)	(0,39)%
5. USD	200	14.444	0,30%
6. USD	(200)	(17.779)	(0,37)%
Total (of Negative Shocks)		**162.036**	**3,36%**
Total (of Positive Shocks)		**(372.836)**	**(7,73)%**

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

Position risk of equity securities in banking book:

As of December 31, 2020, the Parent Bank has no financial assets that would cause a significant effect on its equity securities position (December 31, 2019: None).

VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

The Balance Sheet Management, which is associated to the treasury function, and the management of liquidity manage the Parent 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.

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

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 Parent 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 Parent Bank and its subsidiaries:

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

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

Liquidity and funding management of the Parent 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 non-deposit 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 Parent Bank's total liabilities:

Almost all of the Parent 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 Parent Bank's 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 Parent Bank also uses derivative transactions in order to lower liquidity risks.

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

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 the Parent 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 Parent Bank, early warning indicators within graded liquidity crisis scenarios.

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the Parent Bank within this scope, liquidity stress tests have been launched by taking consideration of possible liquidity outflows and term-based cash flow changes, at the same time daily monitoring market variables and liquidity movements reported to the top management. The Parent Bank sources of funds are formed of customer deposits substantially and the need for funding to be provided from interbank markets is at a minimum. Within the scope of stress tests shared with the executives, without providing any new funds from the market, considering possible utilisation requests such as possible late payments on loans which are subject in LCR and deposit outflows, restructing or deferment requests, irrevocable and revocable commitments which are offered to the customers. In this context, it has been measured for how long they could afford the cumulative cash outflows. As a results of the scenarios, there is no foreseeable risk for LCR or net liquid position.

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.

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

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 Parent 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 64% 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.

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

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

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
Current Period – 31.12.2020	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			10.189.172	6.918.562
Cash Outflows				
Real person and retail deposits	22.257.478	17.740.468	2.139.560	1.774.047
Stable deposits	1.723.748	-	86.187	-
Less stable deposits	20.533.730	17.740.468	2.053.373	1.774.047
Unsecured debts other than real person and retail deposits	10.137.859	5.530.064	4.858.435	2.307.234
Operational deposits	-	-	-	-
Non-operational deposits	9.718.022	5.502.238	4.438.598	2.279.408
Other unsecured debts	419.837	27.826	419.837	27.826
Secured debts	-	-	-	-
Other cash outflows	1.199.660	3.268.200	1.199.660	3.268.200
Derivative liabilities and collateral completion liabilities	1.199.660	3.268.200	1.199.660	3.268.200
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	9.983.846	4.588.274	1.223.546	829.342
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			**9.421.201**	**8.178.823**
Cash Inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.360.776	2.683.434	3.686.599	2.444.474
Other cash inflows	212.386	4.257.888	212.387	4.257.889
TOTAL CASH INFLOWS	**4.573.162**	**6.941.322**	**3.898.986**	**6.702.363**
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			**10.189.172**	**6.918.562**
TOTAL NET CASH OUTFLOWS			**5.522.215**	**2.044.706**
LIQUIDITY COVERAGE RATIO (%)			**184,51**	**338,36**

(*) 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 - 31.12.2020	
	TL+FC	**FC**
Highest (%)	**307,17**	**429,62**
Date	23.11.2020	17.11.2020
Lowest (%)	**153,40**	**178,23**
Date	17.12.2020	12.10.2020
Average (%)	**184,51**	**338,36**

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

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

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
Prior Period – 31.12.2019	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			12.564.013	7.186.159
Cash Outflows				
Real person and retail deposits	18.876.082	14.973.377	1.806.283	1.497.338
Stable deposits	1.626.495	-	81.324	-
Less stable deposits	17.249.587	14.973.377	1.724.959	1.497.338
Unsecured debts other than real person and retail deposits	8.520.815	4.146.351	4.236.356	1.750.781
Operational deposits	-	-	-	-
Non-operational deposits	7.961.652	4.119.819	3.677.193	1.724.249
Other unsecured debts	559.163	26.532	559.163	26.532
Secured debts	-	-	-	-
Other cash outflows	1.744.653	3.399.971	1.744.653	3.399.971
Derivative liabilities and collateral completion liabilities	1.744.653	3.399.971	1.744.653	3.399.971
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	9.127.137	3.434.557	940.115	507.869
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			**8.727.407**	**7.155.959**
Cash Inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.754.839	1.537.251	3.049.665	1.122.648
Other cash inflows	320.709	5.613.299	320.709	5.613.299
TOTAL CASH INFLOWS	**5.075.548**	**7.150.550**	**3.370.374**	**6.735.947**
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			**12.564.013**	**7.186.159**
TOTAL NET CASH OUTFLOWS			**5.357.033**	**1.788.990**
LIQUIDITY COVERAGE RATIO (%)			**234,53**	**401,69**

(*) 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 2019.

	Prior Period - 31.12.2019	
	TL+FC	**FC**
Highest (%)	**424,37**	**514,37**
Date	09.12.2019	18.12.2019
Lowest (%)	**182,07**	**170,32**
Date	29.11.2019	05.11.2019
Average (%)	**234,53**	**401,69**

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

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

b) Breakdown of Assets and Liabilities According to Their Outstanding Maturities:

Current Period – December 31, 2020	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(****)	961.945	6.129.074	-	-	-	-	-	7.091.019
Banks (****)	29.677	-	-	-	-	-	-	29.677
Financial Assets at Fair Value through Profit or Loss (Net) (***)	-	243.651	246.295	403.279	533.855	948.807	5.566	2.381.453
Interbank Money Market Placements(****)	-	3.333.610	-	-	-	-	-	3.333.610
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	346.278	4.538.035	130.612	-	5.014.925
Loans	-	2.834.277	4.202.405	10.011.752	6.558.701	975.291	143.870	24.726.296
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets (*)	-	924	-	43	32.317	-	905.161	938.445
Total Assets	**991.622**	**12.541.536**	**4.448.700**	**10.761.352**	**11.662.908**	**2.054.710**	**1.054.597**	**43.515.425**
Liabilities								
Bank Deposits	163.952	497.127	-	-	-	-	-	661.079
Other Deposits	14.396.922	12.915.713	2.686.565	261.284	1.515	-	-	30.261.999
Funds Provided from Other Financial Institutions	-	1.242.251	-	-	-	-	-	1.242.251
Money Market Borrowings	-	-	-	-	-	-	636.998	636.998
Issued Marketable Securities (Net)	-	-	-	951.920	-	-	-	951.920
Miscellaneous Payables	-	-	744.579	1.186.649	1.652.797	-	-	3.584.025
Other Liabilities (**) (***)	-	241.523	251.652	533.027	721.611	802.477	3.626.863	6.177.153
Total Liabilities	**14.560.874**	**14.896.614**	**3.682.796**	**2.932.880**	**2.375.923**	**802.477**	**4.263.861**	**43.515.425**
Net Liquidity Excess / (Gap)	**(13.569.252)**	**(2.355.078)**	**765.904**	**7.828.472**	**9.286.985**	**1.252.233**	**(3.209.264)**	**-**
Net Off Balance Sheet Position	**-**	**(605.147)**	**(36.195)**	**170.872**	**2.815**	**-**	**-**	**(467.655)**
Derivative Financial Assets	-	35.757.031	7.566.225	8.267.709	11.014.865	6.906.647	-	69.512.477
Derivative Financial Liabilities	-	36.362.178	7.602.420	8.096.837	11.012.050	6.906.647	-	69.980.132
Non-cash Loans	5.041.745	103.215	282.423	810.991	40.768	615	-	6.279.757
Prior Period – December 31, 2019								
Total Assets	886.630	19.247.641	1.409.183	3.990.024	6.627.229	1.570.389	1.227.773	34.958.869
Total Liabilities	5.604.634	18.568.254	3.361.779	726.945	858.427	2.187.799	3.651.031	34.958.869
Net Liquidity Excess / (Gap)	**(4.718.004)**	**679.387**	**(1.952.596)**	**3.263.079**	**5.768.802**	**(617.410)**	**(2.423.258)**	**-**
Net Off-Balance Sheet Position	**-**	**51.683**	**7.826**	**7.953**	**13.412**	**-**	**-**	**80.874**
Derivative Financial Assets	-	17.215.343	9.334.351	11.181.102	18.813.937	5.912.648	-	62.457.381
Derivative Financial Liabilities	-	17.163.660	9.326.525	11.173.149	18.800.525	5.912.648	-	62.376.507
Non-cash Loans	4.042.984	30.807	85.927	437.596	167.505	607	-	4.765.426

(*) 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 2.347.

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

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

c) Breakdown of Liabilities According to Their Remaining Contractual Maturities:

Current Period - December 31, 2020	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Bank Deposits	163.952	497.232	-	-	-	-	661.184
Other Deposits	14.396.922	12.921.030	2.704.538	267.244	1.719	-	30.291.453
Payables to Money Market	-	1.244.159	-	-	-	-	-
Marketable Securities Issued	-	-	-	1.000.000	-	-	1.000.000
Borrowings	-	-	743.867	1.201.965	1.964.244	-	3.910.076
Total	**14.560.874**	**14.662.421**	**3.448.405**	**2.469.209**	**1.965.963**	**-**	**37.106.872**

Prior Period - December 31, 2019	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Bank Deposits	127.864	109.242	-	-	-	-	237.106
Other Deposits	5.446.050	18.430.213	3.257.860	407.533	5.844	-	27.547.500
Payables to Money Market	-	-	-	-	-	-	-
Borrowings	30.720	-	-	-	-	1.726.258	1.756.978
Total	**5.604.634**	**18.539.455**	**3.257.860**	**407.533**	**5.844**	**1.726.258**	**29.541.584**

d. Information on Securisation Position:

None.

e. Breakdown of derivative instruments according to their remaining contractual maturities:

Current Period - December 31, 2020	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Foreign exchange derivatives:						
- Inflow	29.888.004	5.121.472	7.053.702	4.392.904	5.645.290	52.101.372
- Outflow	29.976.607	5.157.842	6.881.411	4.390.090	5.645.290	52.051.240
Interest rate derivatives:						
- Inflow	-	7.667	7.682	61.983	25.224	102.556
- Outflow	-	5.707	1.213	21.809	2.602	31.331
Total Inflow	**29.888.004**	**5.129.139**	**7.061.384**	**4.454.887**	**5.670.514**	**52.203.928**
Total Outflow	**29.976.607**	**5.163.549**	**6.882.624**	**4.411.899**	**5.647.892**	**52.082.571**

Prior Period - December 31, 2019	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Foreign exchange derivatives:						
- Inflow	14.557.304	9.334.351	10.354.856	9.045.856	4.984.001	48.276.368
- Outflow	14.468.289	9.326.525	10.346.908	9.032.450	4.984.001	48.158.173
Interest rate derivatives:						
- Inflow	-	-	3.363	68.732	16.825	88.920
- Outflow	-	-	1.033	30.316	11.921	43.270
Total Inflow	**14.557.304**	**9.334.351**	**10.358.219**	**9.114.588**	**5.000.826**	**48.365.288**
Total Outflow	**14.468.289**	**9.326.525**	**10.347.941**	**9.062.766**	**4.995.922**	**48.201.443**

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

VIII. EXPLANATIONS ON CONSOLIDATED 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 31.12.2020 (*)	Prior Period 31.12.2019 (*)
	Assets On the Balance Sheet		
1	Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	44.770.911	25.121.012
2	(Assets deducted from core capital)	(210.319)	(202.152)
3	Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	44.560.592	24.918.860
	Derivative Financial Instruments and Loan Derivatives		
4	Renewal cost of derivative financial instruments and loan derivatives	884.240	608.666
5	Potential credit risk amount of derivative financial instruments and loan derivatives	345.254	768.370
6	Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.229.494	1.377.036
	Financing Transactions with Securities or Goods Warranties		
7	Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	73.322	99.561
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)	73.322	99.561
	Off-the-Balance Sheet Transactions		
10	Gross nominal amount of the off-the-balance sheet transactions	21.956.834	19.610.226
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)	21.956.834	19.610.226
	Capital and Total Risk		
13	Core capital	3.618.495	3.314.226
14	Total risk amount (sum of lines 3,6,9 and 12)	67.820.242	46.005.683
	Transition Process Unapplied Leverage Ratio		
15	Transition process unapplied leverage ratio (%)	5,34	7,20

(*) Table represents three month average amounts.

	Current Period 31.12.2020 (**)	Prior Period 31.12.2019 (**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*)	47.842.432	33.886.414
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements"	594.445	454.501
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	(345.254)	(768.370)
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	6.894.395	9.457.451
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the Communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
Total risk amount	**67.820.242**	**46.005.683**

(*) Consolidated financial statements prepared in compliance with the Article 6 of the Communiqué 5 "Preparation of Consolidated Financial Statements".

(**) Table represents three month average amounts.

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

IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

a. Explanations on calculation of financial assets and liabilities at their fair values:

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair values of the overnight deposits and floating rate placements represent the carrying value. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the market interest rates of similar liabilities and loans.

The estimated fair value of loans and borrowing with bank placements is determined by calculating the discounted cash flow using the current market rates for the loans with fixed rate. For the loans with floating interest rates, it is assumed that carrying value reflects the fair value.

Financial assets at fair value through other comprehensive income of shares of the Parent Bank, which they are traded in the market at the reporting date, calculated based on the determined closing prices. The fair value of the shares that not traded in the market is determined by its cost. Government debt securities classified as financial assets at fair value through other comprehensive income have been measured by fair value that are used price that on the market. Thus, there is no difference between their fair value and carrying value

	Carrying Value		Fair Value	
	Current Period December 31, 2020	**Prior Period December 31, 2019**	**Current Period December 31, 2020**	**Prior Period December 31, 2019**
Financial Assets	**33.105.681**	**28.531.764**	**33.024.903**	**28.805.119**
Interbank Money Market Placements	3.334.774	10.994.338	3.333.610	10.994.329
Banks	29.686	11.364	29.677	11.361
Financial Assets at Fair Value Through Other Comprehensive Income	5.014.925	1.230.698	5.014.925	1.230.698
Financial Assets Measured at Amortised Cost	-	-	-	-
Loans (*)	24.726.296	16.295.364	24.646.691	16.568.731
Financial Liabilities	**36.096.021**	**29.558.148**	**36.014.379**	**29.622.900**
Bank Deposits	661.079	235.310	661.079	235.310
Other Deposits	30.261.999	27.504.955	30.289.895	27.557.393
Funds From Other Financial Institutions	3.584.025	1.368.001	3.485.387	1.380.315
Marketable Securities Issued	951.920	-	941.020	-
Miscellaneous Payables	636.998	449.882	636.998	449.882

(*) Includes the factoring receivables amounting to TL 59.847. (December 31,2019: TL 126.556).

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

IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

b. Explanations on calculation of financial assets and liabilities at their fair values:

Aforesaid classifications related to fair values are determined as follows;

- 1st level, amounts are valued by quoted market prices for assets and liabilities,
- 2nd level, directly or indirectly observable data for the assets and liabilities, other than quoted prices in the 1st level,
- 3rd level, data are not observable regarding to assets and liabilities

made with consideration

Current Period - December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets at Fair Value Through Profit or Loss	**355.078**	**2.020.808**	**-**	**2.375.886**
- Government debt securities	355.078	-	-	355.078
- Share certificates (*)	-	-	-	-
- Trading derivative financial asset	-	2.020.808	-	2.020.808
- Other securities	-	-	-	-
Hedging Derivative Financial Assets			-	
Financial Assets at Fair Value Through Other Comprehensive Income	**5.014.925**	**-**	**-**	**5.014.925**
- Share certificates	-	-	-	-
- Government debt securities	5.014.925	-	-	5.014.925
- Other marketable securities	-	-	-	-
Total Assets	**5.370.003**	**2.020.808**	**-**	**7.390.811**
- Derivative Financial Liabilities	-	1.883.171	-	1.883.171
Total Liabilities	**-**	**1.883.171**	**-**	**1.883.171**

(*) Unquoted share certificates amounting to TL 5.567 measured at cost in accordance with TFRS 9, are not included.

Prior Period - December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets at Fair Value Through Profit or Loss	**465.539**	**1.624.323**	**-**	**2.089.862**
- Government debt securities	465.539	-	-	465.539
- Share certificates (*)	-	27.221	-	27.221
- Trading derivative financial asset	-	1.597.102	-	1.597.102
- Other securities	-	-	-	-
Hedging Derivative Financial Assets				
Financial Assets at Fair Value Through Other Comprehensive Income	**1.230.698**	**-**	**-**	**1.230.698**
- Share certificates	-	-	-	-
- Government debt securities	1.230.698	-	-	1.230.698
- Other marketable securities	-	-	-	-
Total Assets	**1.696.237**	**1.624.323**	**-**	**3.320.560**
- Derivative Financial Liabilities	-	1.440.432	-	1.440.432
Total Liabilities	**-**	**1.440.432**	**-**	**1.440.432**

(*) Unquoted share certificates amounting to TL 5.567 measured at cost in accordance with TFRS 9, are not included

X. EXPLANATIONS REGARDING THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES

a. Transaction, Custody, Management and Consultancy Services of the Group on behalf of Third Parties:

The Group acts as an intermediary for purchases and sales of government securities on behalf and account of other persons, and provides custody services. The Group, within special customer service, provides portfolio management and consultancy services to its customers.

b. Transactions with other financial institutions under fiduciary transaction agreements and financial services rendered to other financial institutions under the scope of fiduciary transactions and the effects of such services to the financial position of the Group:

None

XI. 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 October 23, 2015 and became effective as of March 31, 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 Group, the following required tables have not been presented on December 31, 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. Bank's risk management approach

Ensuring risk management and efficiency is the Parent Bank Board of Directors' responsibility. The Board of Directors writes and approves policies concerning risk management activities, periodically examines their implementation, and takes the necessary measures related to setting up and maintaining a risk management system within the body of the Parent Bank in line with the local regulations.

The Board of Directors includes the risk management system in the management structure of the Group in line with the regulations and procedures required by legislation. It also sets principles and procedures related to the system's administrative structure, recruiting personnel, and ensuring continuity. The Board of Directors examines the Parent Bank's Executive Management Unit and Risk Management Unit evaluations of the risk management process, evaluates the reliability and adequacy of the risk management models, and takes the necessary actions. The Board of Directors determines and documents, in writing, the strategies, policies, and implementation methods for department systems, ensures effective implementation and continued use of the methods, ensures the coordination, and allocates the necessary resources. The Board of Directors is informed about the risks the Parent Bank is subject to, as well as the methods for measuring and managing these risks. It determines in writing the policies and strategies concerning risk management, the level of risk the Parent Bank can accept, methods of implementation generally and for each risk type, and identifies maximum risk limits for departments, managers, and staff. It approves the policies concerning taking, monitoring, managing, and reporting the risks that will drastically affect income and expenses by determining the risk appetite of the Parent Bank, approves changes in these policies, and supervises their implementation.

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

The Board of Directors ensures executive management provides it with timely and reliable reports regarding the risks the Parent Bank faces, determines data management policies, identifies processes and establishes control mechanisms to ensure the systems perform effectively, and ensures the implementation of these processes.

The Board of Directors is liable to ensure the Internal Capital Adequacy Evaluation Process is set and implemented, and to fulfil the other responsibilities laid out in regulations. The Audit Committee, Risk Management Committee, Asset-Liability Management Committee, and other related committees carry out the supervision responsibility of the Board of Directors to ensure perpetual supervision.

The Audit Committee checks the effectiveness and adequacy of the internal systems of the Parent Bank on behalf of the Board of Directors, supervises how these internal systems, accounting systems, and reporting systems work within the framework of the Law and regulations, ensures the integrity of the generated data, and does the necessary pre-evaluation for the Board of Directors to enable them to choose independent audit companies and rating, valuation, and support service organisations. Moreover, it regularly monitors the operations of organisations that the Board of Directors chooses and signs contracts with, ensuring continuity and coordination of the internal audit operations of the partnerships subject to consolidation in line with legal regulations, and sets up communication channels that ensure internal systems staff can directly access them. The Audit Committee also recommends managers for these units to the Board of Directors, provides opinions when relieving these managers of duty, hears and evaluates the opinions and recommendations of executive management concerning internal systems, gives recommendations on the qualities required for personnel who will work in internal systems units, and evaluates the education levels and adequacy of the internal systems manager and personnel. It is in charge of and responsible for assessing the availability of the necessary equipment and methods to detect, evaluate, monitor, and control the risks the Parent Bank carries, as well as for fulfilling other liabilities mentioned in regulations. The Audit Committee is responsible for setting an audit and control process that will ensure the adequacy and correctness of the Internal Capital Adequacy Evaluation Process and for monitoring the internal validation of the risk measurement methodology the Parent Bank uses to assess the adequacy of the economic and/or legal capital. If the Parent Bank does not have the expertise to validate the internal model, the Audit Committee approves and monitors support from an expert organisation.

The Risk Management Committee is responsible for monitoring and managing all Group risk. It focuses mainly on risk policies, risk appetite, and risk concentration. The main focus of the committee is to evaluate changes in the operations of the lines of business and in markets where the lines of business operate, to analyse the effects of risk, and to handle these risks related to the future. The committee is responsible for:

- providing instructions and solving problems concerning risk policies and risk management,
- evaluating the main potential and current risks in the changing business atmosphere and political environment,
- tracking and checking the management of important risks,
- ensuring an appropriate risk culture is in place.

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

The Asset-Liability Committee's main responsibilities are:

- providing continuous guidance to set up a perpetually developing structure in line with estimated risk parameters and the Group's performance objectives,
- monitoring asset-liability and capital management risk and determining its effects,
- providing a forum where matters concerning asset-liability management can be discussed,
- providing opportunities for teamwork between various lines of work,
- finalising inter-unit matters such as transfer pricing and effective distribution of resources,
- reviewing fund sources and fund utilisation areas,
- monitoring capital adequacy, ensuring capital management within legal and internal limits, and reviewing the Internal Capital Adequacy Evaluation Process and documents,
- determining the most likely scenarios in terms of asset-liability planning by monitoring external banking factors and reviewing emergency plans, and
- evaluating alternate scenarios including interest, pricing, and portfolio structure, and reviewing asset-liability and term structure distribution.

These committees are supported by sub-committees such as the Tactical Asset-Liability Committee, the Market Risk Committee, the Stress Test Observation Committee, and the Model Observation Committee.

The Risk Management Unit is made up of a unit manager, working independently of operational units, and adequate staff. Risk Management Unit works connected with Independent Board Member Responsible for Internal Systems.

The Risk Management Unit is responsible for risk management operations, for which the framework is laid out in the guidelines published by the Board and other legislation, and specifically for ensuring good practices related to banking law, the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Evaluation Process, the Capital Markets Law. The main duty of the Risk Management Unit is defining, evaluating, monitoring, reviewing, and reporting risk. The Risk Management Unit provides the necessary training and advisory services to all lines of work to increase risk management awareness and ensure effective implementation of the risk management framework throughout the Group. It reviews the adequacy of risk control evaluation efforts for all lines of work. It ensures that key indicators are reviewed to monitor the risk levels of high risk points and that risk-lowering action plans are prepared and tracked. It helps analyse losses and sets up the necessary monitoring and tracking mechanisms for lines of work to complete the required corrective actions on time. It provides opinions on new products and changes to current products and evaluates the effectiveness of the risk management for new products. It analyses risk control evaluation results, outcomes of actions, possible losses, and operational losses, and shares the related reports with the Risk Management Committee. The Risk Management Unit works in coordination with the Internal Audit Unit, responsible for evaluating audit during operational risk management, the Loan and Risk Unit, which has its own risk responsibility, and the Financial Control-Asset-Liability Unit and the Capital Management Unit, which are responsible for market risks.

Stress Tests

The Risk Management Unit and other relevant units carry out and report on stress tests. Stress test results are regularly reported to the Stress Test Observation Committee, the Group's executive management, and the relevant top management by the Risk Management Unit and relevant units. Within the scope of stress tests, the Group regularly applies sensitivity analyses and scenario analyses which cover market risk, exchange risk, liquidity risk, counterparty credit risk, concentration risk, country risk, operational risk, and interest rate risk for banking accounts. When necessary, additional stress tests can be carried out depending on market and economy conditions, portfolio changes, and legislation changes. Also, holistic stress tests are carried out for use in the Internal Capital Adequacy Evaluation Process.

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period December 31, 2020	**Prior Period December 31, 2019**	**Current Period December 31, 2020**
Credit risk (excluding counterparty credit risk)	24.885.622	18.275.720	1.990.850
Standardised approach	24.885.622	18.275.720	1.990.850
Internal rating-based approach	-	-	-
Counterparty credit risk	1.114.658	1.298.586	89.173
Standardised approach for counterparty credit risk	1.114.658	1.298.586	89.173
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	1.523.913	1.142.225	121.913
Standardised approach	1.523.913	1.142.225	121.913
Internal model approaches	-	-	-
Operational risk	2.968.854	2.700.068	237.508
Basic indicator approach	2.968.854	2.700.068	237.508
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	**30.493.047**	**23.416.599**	**2.439.444**

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

b. Linkages between financial statements and risk amounts

1. Differences and matching between assets and liabilities carrying values in financial statements and risk amounts

		Carrying values of items in accordance with TAS			
Current Period December 31, 2020	**Carrying Values in Financial Statements Prepared as per TAS**	**Subject to Credit Risk**	**Subject to Counterparty Credit Risk**	**Subject to Market Risk**	**Not Subject to Capital Requirements or Subject to Deduction from Capital**
Assets					
Cash and balances and the CBRT	7.091.019	7.091.019	-	-	-
Banks	29.677	29.677	-	-	-
Interbank Money market placements	3.333.610	-	3.333.610	3.333.610	-
Financial assets at fair value through profit or loss	360.645		-	360.645	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.014.925	5.014.926	-	-	-
Financial Assets Measured at Amortised Cost	-		-	-	-
Derivative Financial Assets	2.020.808		2.020.808	2.020.808	-
Loans (Net)	24.726.296	24.726.296	-	-	-
Assets held for sale and assets of discontinued operations (net)	1.221	1.221	-	-	-
Subsidiaries(net)	-	-	-	-	-
Associates (net)	220	220	-	-	-
Joint ventures (net)	-		-	-	-
Tangible assets (net)	221.432	221.432	-	-	30.488
Intangible assets (net)	181.806		-	-	181.806
Investment property (net)	-		-	-	-
Tax assets	-	-	-	-	-
Deferred tax assets	257.441	257.441	-	-	-
Other assets	276.325	252.479	-	-	13.596
Total Assets	**43.515.425**	**37.594.711**	**5.354.418**	**5.715.063**	**225.890**
Liabilities					
Deposits	30.923.078	-	-	-	30.923.078
Funds borrowed	1.931.228	-	-	-	1.931.228
Interbank money markets	1.242.251	-	-	-	1.242.251
Marketable Securities issued	951.920	-	-	-	951.920
Funds	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Derivative Financial Assets	1.883.171	-	1.883.171	1.883.171	-
Factoring payables	-	-	-	-	-
Lease payables	102.956	-	-	-	102.956
Provisions	184.731	-	-	-	184.731
Tax liability	122.431	-	-	-	-
Deferred tax assets	-	-	-	-	-
Liabilities held for sale and liabilities of discontinued operations (net)	-	-	-	-	-
Subordinated debt	1.652.797	-	-	-	1.652.797
Other liabilities	938.923				938.923
Shareholders’ Equity	3.581.939	-	-	-	3.581.939
Total Liabilities	**43.515.425**	**-**	**1.883.171**	**1.883.171**	**41.509.823**

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

		Carrying values of items in accordance with TAS			
Prior Period December 31, 2019	**Carrying Values in Financial Statements Prepared as per TAS**	**Subject to Credit Risk**	**Carrying Values in Financial Statements Prepared as per TAS**	**Subject to Credit Risk**	**Carrying Values in Financial Statements Prepared as per TAS**
Assets					
Cash and balances and the CBRT	3.111.287	3.111.287	-	-	-
Banks	11.361	11.361	-	-	-
Interbank Money market placements	10.994.329	-	10.994.329	10.994.329	-
Financial assets at fair value through profit or loss	498.327	-	-	498.327	-
Financial Assets at Fair Value Through Other Comprehensive Income	1.230.698	1.230.698	-	-	-
Financial Assets Measured at Amortised Cost	-	-	-	-	-
Derivative Financial Assets	1.597.102	-	1.597.102	1.597.102	-
Loans (Net)	16.295.364	16.295.364	-	-	-
Assets held for sale and assets of discontinued operations (net)	2.095	2.095	-	-	-
Subsidiaries(net)	-	-	-	-	-
Associates (net)	220	220	-	-	-
Joint ventures (net)	-	-	-	-	-
Tangible assets (net)	224.791	188.704	-	-	34.569
Intangible assets (net)	168.439	-	-	-	168.439
Investment property (net)	-	-	-	-	-
Tax assets	-	-	-	-	-
Deferred tax assets	211.012	211.012	-	-	-
Other assets	613.844	151.397	-	-	462.447
Total Assets	**34.958.869**	**21.202.138**	**12.591.431**	**13.089.758**	**665.455**
Liabilities					
Deposits	27.740.265	-	-	-	27.740.265
Funds borrowed	30.720	-	-	-	30.720
Interbank money markets	-	-	-	-	-
Marketable Securities issued	-	-	-	-	-
Funds	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Derivative Financial Assets	1.440.432	-	1.440.432	1.440.432	-
Factoring payables	-	-	-	-	-
Lease payables	124.393	-	-	-	124.393
Provisions	170.287	-	-	-	170.287
Tax liability	34.039	-	-	-	-
Deferred tax assets	-	-	-	-	-
Liabilities held for sale and liabilities of discontinued operations (net)	-	-	-	-	-
Subordinated debt	1.337.281	-	-	-	1.337.281
Other liabilities	939.587				939.587
Shareholders' Equity	3.141.865	-	-	-	3.141.865
Total Liabilities	**34.958.869**	**-**	**1.440.432**	**1.440.432**	**33.479.569**

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. The main sources of differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

Current Period December 31, 2020	**Total**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to market risk**
Asset carrying value amount under scope of regulatory consolidation	**43.515.425**	**37.594.711**	**5.354.418**	**5.715.063**
Liabilities carrying value amount under regulatory scope of consolidation	1.883.171	-	1.883.171	1.883.171
Total net amount under regulatory scope of consolidation	**45.398.596**	**37.594.711**	**7.237.589**	**7.598.234**
Off-balance sheet amounts	-	11.361.861	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	1.118.104	-	-
Differences due to applications of BRSA	-	(8.694.743)	(6.212.584)	-
Differences due to risk reduction	-	(270.341)	-	-
Credit valuation adjustment	-	-	339.808	-
Risk Amounts	**-**	**41.109.592**	**1.364.813**	**7.598.234**

Prior Period December 31, 2019	**Total**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to market risk**
Asset carrying value amount under scope of regulatory consolidation	**34.958.869**	**21.202.138**	**12.591.431**	**13.089.758**
Liabilities carrying value amount under regulatory scope of consolidation	1.440.432	-	1.440.432	1.440.432
Total net amount under regulatory scope of consolidation	**36.399.301**	**21.202.138**	**14.031.863**	**14.530.190**
Off-balance sheet amounts	-	9.384.318	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	918.732	-	-
Differences due to applications of BRSA	-	(5.898.902)	(12.847.779)	-
Differences due to risk reduction	-	(253.131)	-	-
Credit valuation adjustment	-	-	463.026	-
Risk Amounts	**-**	**25.353.155**	**1.647.110**	**14.530.190**

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

3. Explanations of differences between accounting and regulatory exposure amounts in accordance with TAS

a) Differences between exposure amounts and amounts valued in accordance with TAS:

There is no difference between amounts valued in accordance with TAS reported in the financial statements and amounts valued in accordance with TAS within the scope of the legal consolidation process.

Fair value calculations the Group makes for financial instruments are evaluated either at market value or using a model value based on product types. Valuation is carried out using "fair value measurement" in accordance with the valuation principles stated in the regulations appendix of the Group's Capital Adequacy Measurement and Assessment. While the Group benefits from market prices for bonds, future contracts traded at the organised markets, it uses platforms producing model values for derivative transactions usually traded in over-the-counter markets. Valuations based on market or model value are made daily, and changes occurring in the market can be reflected to the Group's financials daily.

Credit value adjustments (CVA) are based on the current market value of credit risk arising from not meeting one of the liabilities in the agreement the Group made with a counterparty and are included in the legal accounts, taking into account the all counterparties' credit risks.

b) The following are explanations of the checks and systems which ensure the prudence and security of the Group's valuation estimations as per the prudential valuation principles in Appendix-3 of the Regulations Related to Bank Capital Adequacy Measurement and Evaluation:

Financial instruments accounted for at fair value and which can be traded in an active market are valued based on market price. The accuracy of the market price used is periodically tracked. Fair valuation of financial instruments for which there is no active market is carried out in line with TAS 39. Derivative financial instruments are evaluated using a reduced cash flow model using market data. When valuing some financial instruments, valuations made by third parties and generally accepted valuation models are also used. The accuracy and independence of data used in valuations are periodically checked. In addition, detailed control processes exist, which enable the analysis of current market values of financial instruments and the profit/loss effect of daily transactions. Generally, systems are used and manual adjustments are avoided to ensure estimations related to valuations are prudent and reliable. In addition to existing controls, personnel carrying out purchase and sale transactions do not have any effect on valuation through market value.

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

c. General Information on Credit Risk

1. General qualitative information about credit risk:

Risk limits are defined by Board of Directors in such manner that covers all possible important risk components, in accordance with the Group's operations and the size and complexity of products and services. Care is taken to ensure that the risk limits are in line with market expectations and reflect the Group's risk appetite and Bank's strategies. The credit policies are established in consistence with risk limits. Credit rating models are used in loan allocation processes in accordance with the risk appetite, credit policies and targets of the Group. Rating all credit customers is essential for the Group. Credit ratings are used as the main factor in determining target segments, authority levels, prices, limits and collateralization levels in loan portfolios.

In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain adequate collateral from the customers. The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. In this context, the minimum margin is determined by considering the quality of the collateral and collection expectancy in case of default and it is ensured that appropriate collateral is obtained for the loan type.

Credit risk is encountered when the counterparty is unable to fulfill its obligations defined with the agreement. All credit risk bearing banking products are managed with prudent credit policies and procedures in the Group. The credit quality of the counterparty is evaluated with an internal rating score in all credit transactions. In order to monitor the credit risk, internal limit are determined on the basis of sector, customer, credit type and customer segment. Credit risk management is a process in which credit risks are assessed and monitored in a consistent manner, besides all credit portfolios are included on a consolidated basis. During the process of credit risk management, the Risk Management Department conducts measurement, monitoring and reporting activities of the credit risk using statistical models. In addition to the credit risk-related risk limits, various concentrations in the loan portfolio are also analyzed. It is assured to act within the policy of allocation, monitoring, Limit Follow-up and management, by establishing policy regarding to Country risk and concentration risk management. Cost of loan and collections of non-performing loans are monitored periodically. In addition, stress testing and scenario analysis studies are carried out on the loan portfolio. Assessment of the internal systems established to encompass all branches and departments and related entities are among the highest priorities of the Board of Directors to ensure the continuity of its operations, competencies and activities.

2. Credit Quality of Assets

Provisions for defaulted exposures made in accordance with related ratios after considering collaterals presented in "Communique of Provision". There is no differences for the Group between the definitions of past due and provision made loans.

	Gross carrying values of (according to TAS)		Allowances / Amortisation and Impairments	
Current Period December 31, 2020	**Defaulted Exposures**	**Non-defaulted Exposures**		**Net Values**
Loans(*)	621.641	25.713.250	477.771	25.857.120
Debt Securities	-	5.387.746	12.176	5.375.570
Off-balance sheet exposure	5.464	25.064.885	1.793	25.068.556
Total	**627.105**	**56.165.881**	**491.740**	**56.301.246**

(*) Also includes factoring receivables amounting to TL 59.847.

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

	Gross carrying values of (according to TAS)		Allowances / Amortisation	
Prior Period December 31, 2019	**Defaulted Exposures**	**Defaulted Exposures**	**and Impairments**	**Net Values**
Loans(*)	707.404	16.993.611	486.995	17.214.095
Debt Securities	-	1.730.321	1.296	1.729.025
Off-balance sheet exposure	7.016	15.481.731	1.857	15.486.890
Total	**714.420**	**34.205.663**	**490.148**	**34.430.010**

(*) Also includes factoring receivables amounting to TL 126.556.

3. Changes in Stock of Defaulted Loans and Debt Securities:

		Current Period December 31, 2020	Prior Period December 31, 2019
I.	**Defaulted loans and debt securities at end of the previous reporting period**	**714.495**	**886.613**
II.	Loans and debt securities that have defaulted since the last reporting period	48.775	260.518
III.	Returned to non-defaulted status	-	-
IV.	Amounts written-off	38.177	319.300
V.	Other Changes (*)	(97.988)	(113.336)
VI.	**Defaulted loans and debt securities at end of the reporting period end (I+II-III-IV±V)**	**627.105**	**714.495**

(*) Includes current period collections.

4. Additional explanations on credit quality of assets

According to the BRSA Regulation "Regulation on the procedures and principles for the determination of qualification of loans and other receivables by Banks and provision to be set aside" in the cases:

- For which recovery of principal or interest or both delays for more than ninety days from their terms or due dates (will temporarily be applied 180 days until June 30, 2021) or;
- Which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or;
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or;
- For which it is believed that recovery by banks of principal or interest or both would delay for more than ninety days from their terms or due dates (will temporarily be applied 180 days until June 30, 2021) due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation,

Loans and receivables are classified as 'non performing loans' and are transferred to non performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Parent Bank.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by Parent bank.

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

a) Breakdown of standard loans and receivables under close monitoring by geographical area, sector and outstanding maturity:

i. Breakdown by geographical area:

	Current Period December 31, 2020	Prior Period December 31, 2019
Domestic	25.336.102	16.854.824
European Union Countries	137.681	102.736
USA, Canada	176.625	12.573
OECD Countries (*)	179	605
Off-Shore Banking Regions	6.009	7.377
Other	56.654	15.496
Total (**)	**25.713.250**	**16.993.611**

(*) OECD countries other than EU Countries, USA and Canada.
(*) Also includes factoring receivables amounting to TL 59.847. (December 31, 2019: TL 126.556)

ii. Breakdown by sector:

	Current Period December 31, 2020	Prior Period December 31, 2019
Agriculture	**93.122**	**35.732**
Farming and Raising Livestock	77.940	2.870
Forestry	-	-
Fishery	15.182	32.862
Manufacturing	**10.778.578**	**7.135.773**
Mining and Quarrying	60.047	23.745
Production	8.903.111	6.131.705
Electricity, Gas and Water	1.815.420	980.323
Construction	**3.577.911**	**1.797.420**
Services	**8.746.072**	**5.485.596**
Wholesale and Retail Trade	2.780.593	1.008.168
Accommodation and Dining	276.284	233.729
Transportation and Telecom	1.536.984	992.851
Financial Institutions	1.820.522	939.180
Real Estate and Rental Services	2.070.741	1.986.831
Self-Employment Services	161.468	213.861
Educational Services	-	-
Health and Social Services	99.480	110.976
Other	**2.517.567**	**2.539.090**
Total (*)	**25.713.250**	**16.993.611**

(*) Also includes factoring receivables amounting to TL 59.847. (December 31, 2019: TL 126.556)

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

5. Remaining maturity distribution of receivables:

Details of maturity breakdown of receivables are disclosed in footnote VII, Section IV.

6. Provisions booked for receivables based on sector:

Provisions booked for receivables based on sector are disclosed in footnote II, Section IV.

7. Provisions booked for receivables based on geographical area:

Non-performing loans and provision amounts are mainly domestic. Specific provisions amounting to TL 620.575 are booked for domestic non-performing loan risk amount of TL 477.277.

a) Aging analysis of accounting overdue exposures:

	December 31, 2020	December 31, 2019
30-60 days overdue exposures	41.364	47.746
60-90 days overdue exposures	43.824	43.746
Total	**85.188**	**91.492**

b) Breakdown of restructured receivables based on whether or not provisions are allocated:

	December 31, 2020	December 31, 2019
Loans Structured from Standard Loans and Other Receivables	-	-
Loans Composed of Follow-on Loans and Other Receivables	2.450.665	2.217.046
Loans Restructured from Non-Performing Loans	98.794	41.376

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

8. Qualitative disclosure on credit risk mitigation techniques:

The Group's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Group applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals that are composed of cash or similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation.

If credit assignment is conditioned to a collateral extension, the data of the collaterals must be entered to the banking information system. Operational transactions are handled by centralized Operation unit. During the credit utilization, compliance of all conditions between credit decision and credit utilization (such as collateral conditions) are controlled systematically.

The Group monitors up to date value of the collaterals by type. Credit monitoring process involves the control of the balance between the value of the collateral and risk besides creditworthiness of the customer.

9. Credit Risk Mitigation Techniques- Overview:

Current Period December 31, 2020	**Exposures unsecured: carrying amount**	**Exposures secured by collaterals**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
Loans	24.713.834	1.143.286	1.002.541	-	-	-	-
Debt Securities	5.375.570	-	-	-	-	-	-
Total	**30.089.404**	**1.143.286**	**1.002.541**	**-**	**-**	**-**	**-**
Defaulted	419.374	202.267	202.071	4.878	3.902	-	-

Prior Period December 31, 2019	**Exposures unsecured: carrying amount**	**Exposures secured by collaterals**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
Loans	15.825.806	1.388.289	1.284.428	169	135	-	-
Debt Securities	1.729.025	-	-	-	-	-	-
Total	**17.554.831**	**1.388.289**	**1.284.428**	**169**	**135**	**-**	**-**
Defaulted	437.467	270.012	254.941	4.332	3.465	-	-

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

d. Credit risk under standardised approach

1. Qualitative disclosures which shall be made related to grading marks used by the banks while calculating credit risk with standard approach:

In Article 6 of Regulation on the Parent Bank's Capital Adequacy Measurement and Evaluation, all of the receivables risk classes of centralised management and the Central Bank, and Moody's Investor Service International Rating Agency rating grades for counterparty's foreign receivables were used. The risk ratings of centralised management and the Central Bank, which are not rated by Moody's Investor Service International Rating Agency, were determined to be unrated. Domestic receivables were determined to be unrated. Risk ratings of items which are not in purchase-sale accounts were determined by taking into account the issuer's credit rating. The table below shows the credit risk ratings and credit quality scale for the grades given by Moody's Investor Service International Rating Agency.

Moody's Investor Service Credit Quality Scale

Long-term Credit Ratings
1 Aaa - Aa3
2 A1 - A3
3 Baa - Ba3
4 Ba1 - Ba3
5 B1 - B3
6 Caa1 and below

Short-term Credit Ratings
P-1
P-2
P-3
NP

HSBC Bank's Financial Power Rating

According to Moody's Credit Rating Institution's evaluations, HSBC Bank A.Ş.'s rating as of December 31, 2020 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

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Standardised Approach-Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects

Current Period December 31, 2020	**Exposures before CCF and CRM**		**Exposures post CCF and CRM**		**Risk Weighted Amount and Risk Weighted Amount density**	
Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**Risk Weighted Amount**	**Risk Weighted Amount density**
Exposures to central governments or central banks	10.933.387	996.918	10.933.387	751.442	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	5	84	5	34	39	100%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	1.703.477	1.416.444	1.703.482	1.002.756	1.388.480	51%
Exposures to corporates	17.855.045	6.071.386	17.786.926	3.870.266	20.803.681	96%
Retail exposures	2.774.875	3.750.746	2.603.831	181.102	2.093.391	75%
Exposures secured by residential property	140.318	95	140.318	34	49.123	35%
Exposures secured by commercial real estate	1.932.557	9.451	1.932.557	4.710	1.022.184	53%
Past-due loans	156.730	-	156.730	-	148.592	95%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
Other assets	1.391.913	24.657	1.391.912	14.913	494.790	35%
Investment in equities	-	-	-	-	-	-
Total	**36.888.307**	**12.269.781**	**36.649.148**	**5.825.257**	**26.000.280**	**61%**

Prior Period December 31, 2019	**Exposures before CCF and CRM**		**Exposures post CCF and CRM**		**Risk Weighted Amount and Risk Weighted Amount density**	
Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**
Exposures to central governments or central banks	4.176.981	238.475	4.176.981	129.227	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	5	92	5	3	8	100%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	1.068.443	1.116.204	1.068.443	822.372	797.991	42%
Exposures to corporates	11.773.721	5.743.886	11.690.674	3.568.047	15.258.721	100%
Retail exposures	2.715.749	3.714.790	2.554.476	242.480	2.122.489	76%
Exposures secured by residential property	203.961	477	203.866	185	71.418	35%
Exposures secured by commercial real estate	1.412.270	9.467	1.412.269	5.502	754.234	53%
Past-due loans	230.389	-	230.373	-	226.666	98%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
Other assets	880.202	26.225	880.202	15.160	342.779	38%
Investment in equities	-	-	-	-	-	-
Total	**22.461.721**	**10.849.616**	**22.217.289**	**4.782.976**	**19.574.306**	**72%**

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

3. Standardised approach – Exposures by asset classes and risk weights

Current Period
December 31, 2020

Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weight	Total credit risk exposure amount (After CCF and CRM)
Exposures to central governments or central banks	11.684.829	-	-	-	-	-	-	-	-	-	11.684.829
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	39	-	-	-	39
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	245.760	-	2.246.906	-	208.966	4.606	-	-	2.706.238
Exposures to corporates	-	-	414.432	-	1.043.930	-	20.198.830	-	-	-	21.657.192
Retail exposures	-	-	-	-	-	2.766.175	18.758	-	-	-	2.784.933
Exposures secured by residential property	-	-	-	140.352	-	-	-	-	-	-	140.352
Exposures secured by commercial real estate	-	-	-	-	1.830.166	-	107.101	-	-	-	1.937.267
Past-due loans	-	-	-	-	48.902	-	75.203	32.625	-	-	156.730
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	912.034	-	-	-	-	-	494.791	-	-	-	1.406.825
Total	**12.596.863**	**-**	**660.192**	**140.352**	**5.169.904**	**2.766.175**	**21.103.688**	**37.231**	**-**	**-**	**42.474.405**

(*) The amount shown on the line of "Exposures secured by commercial real estate" are "Exposures secured by real estate" and other amounts shown on this column represented exposures subject to 50% risk weight

Prior Period
December 31, 2019

Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weight	Total credit risk exposure amount (After CCF and CRM)
Exposures to central governments or central banks	4.306.208	-	-	-	-	-	-	-	-	-	4.306.208
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	8	-	-	-	8
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	1.164.689	-	322.144	-	403.982	-	-	-	1.890.815
Exposures to corporates	-	-	-	-	-	-	15.258.721	-	-	-	15.258.721
Retail exposures	-	-	-	-	-	2.697.877	99.079	-	-	-	2.796.956
Exposures secured by residential property	-	-	-	204.051	-	-	-	-	-	-	204.051
Exposures secured by commercial real estate	-	-	-	-	1.327.084	-	90.687	-	-	-	1.417.771
Past-due loans	-	-	-	-	63.960	-	109.866	56.547	-	-	230.373
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	552.581	-	-	-	-	-	342.781	-	-	-	895.362
Total	**4.858.789**	**-**	**1.164.689**	**204.051**	**1.713.188**	**2.697.877**	**16.305.124**	**56.547**	**-**	**-**	**27.000.265**

(*) The amount shown on the line of "Exposures secured by commercial real estate" are "Exposures secured by real estate" and other amounts shown on this column represented exposures subject to 50% risk weight

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

e. Explanations on counterparty credit risk

1. Qualitative disclosure on counterparty credit risk

Counterparty credit risk refers to the risk when a party to a transaction in which both parties are liable becomes a default risk before the non-cash final payment of the said transaction. The Group has taken positions on derivative financial instruments, repurchase agreements, reverse repurchase agreements, and similar transactions within the scope of counterparty's credit risk. The counterparty's credit risk is made up of the degree of probability that risk will fluctuate and the value resulting from the re-evaluation of client transactions based on market price. The counterparty's credit risk is managed within the framework of general credit limit allocation and collateralisation principles and taken into account, with other cash and non-cash credit risks, using a holistic approach. Additionally, positions related to transactions causing counter party credit risk are followed under a separate risk limit. Limits and actualisations related to counterparty risk are followed with daily reports. Counter-trend risk changes are monitored within the general limits approved by clients and the Board of Directors based on regular reporting and executive management, and the Board of Directors is informed when necessary. In addition, probable changes in negative market conditions for clients and portfolios in general and regular stress tests, are evaluated using limits determine beforehand, and they are reported to executive management.

2. Analysis of counterparty credit risk (CRR) exposure by approach:

Current Period December 31, 2020	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardised Approach - CCR (For Derivatives)	755.120	313.881		1,4	1.069.001	766.359
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					53.584	8.490
Value at Risk for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					53.584	8.490
Total						**774.849**

Prior Period December 31, 2019	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardised Approach - CCR (For Derivatives)	450.413	568.788		1,4	1.019.201	802.565
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					164.964	32.995
Value at Risk for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total						**835.560**

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

3. Credit valuation adjustment (CVA) capital charge:

Current Period December 31, 2020	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk component (Including the 3* multiplier)		-
(ii) Stressed Value at Risk component (Including the 3* multiplier)		-
All portfolios subject to the Standardised CVA capital charge	1.114.658	339.808
Total subject to the CVA capital charge	**1.114.658**	**339.808**

Prior Period December 31, 2019	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk component (Including the 3* multiplier)		-
(ii) Stressed Value at Risk component (Including the 3* multiplier)		-
All portfolios subject to the Standardised CVA capital charge	1.298.586	463.026
Total subject to the CVA capital charge	**1.298.586**	**463.026**

4. Standard Approach – (CCR) Exposures by risk class and risk weights

Current Period - December 31, 2020 Regulatory Portfolio / Risk weights	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	10.681	172.633	-	136.802	-	-	320.116
Exposures secured by commercial real estate	-	-	-	-	-	781.985	-	-	781.985
Past-due loans	-	-	-	-	-	12.557	-	-	12.557
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**10.681**	**172.633**	**-**	**931.344**	**-**	**-**	**1.114.658**

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied credit risk mitigation techniques.

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Prior Period - December 31, 2019 **Regulatory Portfolio / Risk weights**	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total Credit Exposures(*)**
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	85.111	3.216	-	97.642	-	-	185.969
Exposures secured by commercial real estate	-	-	-	-	-	1.019.647	-	-	1.019.647
Past-due loans	-	-	-	-	-	92.970	-	-	92.970
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**85.111**	**3.216**	**-**	**1.210.259**	**-**	**-**	**1.298.586**

(*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied credit risk mitigation techniques.

5. Composition of collateral for CCR exposure:

Current Period December 31, 2020	**Collateral used in derivative transactions**				**Collateral used in other transactions**	
	Fair Value of Collateral Taken		**Fair Value of Collateral Given**		**Fair Value of Collateral Received**	**Fair Value of Posted Colleteral**
	Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash – domestic currency	-	-	-	-	1.242.289	-
Cash – other currencies	165.244	-	310.434	-	-	-
Domestic sovereign debt	-	-	-	-	2.240.457	-
Other sovereign debt	-	-	-	-	1.088.528	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**165.244**	**-**	**310.434**	**-**	**4.571.274**	**-**

Prior Period December 31, 2019	**Collateral used in derivative transactions**				**Collateral used in other transactions**	
	Fair Value of Collateral Taken		**Fair Value of Collateral Given**		**Fair Value of Collateral Received**	**Fair Value of Posted Colleteral**
	Segregated	**Unsegregated**	**Segregated**	**Unsegregated**		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	53.547	-	173.473	-	-	-
Domestic sovereign debt	-	-	-	-	4.468.584	-
Other sovereign debt	-	-	-	-	6.660.126	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**53.547**	**-**	**173.473**	**-**	**11.128.710**	**-**

6. Credit derivatives exposures

None

7. Exposures to central counterparties

None

f. Securitization Disclosures

None

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

g. Explanations on market risk:

1. Qualitative disclosures on market risk:

Market risk is defined as the risk of the decrease in value of the trading portfolio due to shifts in interest rate, currency, stock market, and commodity and option prices. To measure possible losses internally, in addition to taking into consideration the calculations made by the standard method in statutory reportings, the Group uses Value-at-Risk (VaR), Value at Risk under Stress (VaRS) and Additional Risk Capital Requirement (ARCR) models. The difference between the risk pointed by the internal models and the standard method is taken into account in the calculation of economic capital.

The Group monitors market risk through daily currency option limits, maximum loss limits, portfolio size limits and sensitivity to interest (Present Value Basis Points - PVBP in the breakdown of portfolio, maturity and currency), in addition to VaR limits that are separately applied on the basis of portfolio and risk factor (interest, currency risk). Risk monitoring and control activities are carried out by independent units.

VaR is calculated by the historical simulation method by calibrating over the daily profit/loss data of the last two years, and scenarios are updated every two weeks. VaR is calculated on the basis of oneway confidence interval of 99% and a daily holding period, in summary, indicates the observed worst 5th loss number eventually re-calculated according to portfolio’s last 500 daily market changes regarding the subjected day. Back testing is also performed daily to test the accuracy of the estimates VaR method consists.

The value subject to risk under stress, is calculated weekly for 1 year stress period within 99% trust interval on the basis of a holding period of 10 days. In this context, the portfolio’s stress RMD within 250 days stress period regarding the subjected day, indicates the worst 2nd and 3rd loss numbers average observed as a result of re-calculated according to daily market changes. For the general of HSBC Group the stress period is calibrated once every 3 months taking the worst market conditions into consideration and in addition taking different risk profiles into consideration; countrywide stress period evaluations and impact analysis are being done and reported from 1 January 2007 to date.

Additional Risk Capital Requirement represents the loss that can occur due to the possibility of a decrease in the credit worthiness of issuers of securities in the trading portfolio. In addition to VaR and PVBP restrictions, Stress Tests are also being used to measure the potential effects of possible but extreme situations in various financial factors or market movements on the value of the portfolio. Stress Test results are assessed by the Senior Management in order to determine the effects of such incidents on the financials and to take necessary precautions to narrow down possible losses.

Market risk limits are evaluated by related senior management including the Risk Management Unit Manager, Market and Counterparty Risk Unit Manager and Chief Executive of the Group. Limits are reviewed at least once a year by the Risk Management Committee and presented to the Audit Committee and Board of Directors for approval. Risk Management Committee can set a sublimit and can change the limits, with the main limits set by the Board of Directors remaining fixed.

Market risk limits and actualizations are tracked daily by management and business lines, are presented weekly to the Board of Directors, monthly to ALCO, Risk Management Committee and Audit Committee.

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

XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Standardised Approach

	Current Period December 31, 2020	Prior Period December 31, 2019
	Risk Weighted Amount	**Risk Weighted Amount**
Outright Products		
Interest Rate Risk (general and specific)	754.402	610.365
Equity Risk (general and specific)	11.125	18.638
Foreign Exchange Risk	538.009	490.684
Commodity Risk	205.614	-
Options		
Simplified Approach	-	-
Delta-plus Method	14.763	22.538
Scenario Approach	-	-
Securitisation	-	-
Total	**1.523.913**	**1.142.225**

h. Explanations on operational risk:

The amount subject to the operational risk is calculated once every year through the use of "Basic Indicator Method" in the "Regulation Regarding Measurement and Evaluation of the Group's Capital Adequacy Ratio" published in the Official Gazette No.29511 dated 23 October 2015 and effective as of 1 July 2012. The amount subject to operational risk is calculated for December 31, 2020 with the usage of the gross income of the Group in 2016, 2017 and 2018.

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

Current Period	**31.12.2017**	**31.12.2018**	**31.12.2019**	**Total/No of Years of Positive Gross**	**Rate (%)**	**Total**
Gross Income	1.289.834	1.536.622	1.923.713	1.583.390	15	237.508
Operational Risk Capital Requirement (Total*12,5)						2.968.854

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

XII. EXPLANATIONS ON OPERATING SEGMENTS

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

In the retail banking segment, the Group 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 Group 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 Parent 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	Group's Total Activities
Current Period – December 31, 2020					
Operating Income	813.349	1.082.335	717.810	(24.451)	2.589.043
Other	-	-	-	-	-
Operating Income	**813.349**	**1.082.335**	**717.810**	**(24.451)**	**2.589.043**
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(204.655)	350.890	496.108	(19.210)	623.133
Profit before Tax	**(204.655)**	**350.890**	**496.108**	**(19.210)**	**623.133**
Corporate Tax Provision (*)	-	-	-	(170.401)	(170.401)
Profit after Tax	**(204.655)**	**350.890**	**496.108**	**(189.611)**	**452.732**
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	**(204.655)**	**350.890**	**496.108**	**(189.611)**	**452.732**
Segment Assets	3.278.318	14.345.651	25.891.236	-	43.515.205
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
Total Assets	**3.278.318**	**14.345.651**	**25.891.236**	**220**	**43.515.425**
Segment Liabilities	21.833.410	10.684.154	5.990.330	1.425.592	39.933.486
Undistributed Liabilities	-	-	-	3.581.939	3.581.939
Total Liabilities	**21.833.410**	**10.684.154**	**5.990.330**	**5.007.531**	**43.515.425**
Other Segment Items	**55.229**	**-**	**(12.502)**	**20.850**	**63.577**
Capital Investment	-	-	-	134.872	134.872
Amortization	-	-	-	(114.022)	(114.022)
Impairment	-	-	(12.502)	-	(12.502)
Non-Cash Other Income-Expense (**)	55.229	-	-	-	55.229

(*) Corporate tax provision is not distributed.
(**) Non-Cash Other Income-Expense includes other income and expense accruals and provisions.

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

XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Group's Total Activities
Prior Period – December 31, 2019					
Operating Income	694.491	969.044	547.062	(18.789)	2.191.808
Other	-	-	-	-	-
Operating Income	**694.491**	**969.044**	**547.062**	**(18.789)**	**2.191.808**
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(73.111)	344.244	364.645	(14.657)	621.121
Profit before Tax	**(73.111)**	**344.244**	**364.645**	**(14.657)**	**621.121**
Corporate Tax Provision (*)	-	-	-	(142.249)	(142.249)
Profit after Tax	**(73.111)**	**344.244**	**364.645**	**(156.906)**	**478.872**
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	**(73.111)**	**344.244**	**364.645**	**(156.906)**	**478.872**
Segment Assets	3.076.295	9.850.745	22.031.609	-	34.958.649
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
Total Assets	**3.076.295**	**9.850.745**	**22.031.609**	**220**	**34.958.869**
Segment Liabilities	19.299.392	8.509.234	2.783.545	1.224.833	31.817.004
Undistributed Liabilities	-	-	-	3.141.865	3.141.865
Total Liabilities	**19.299.392**	**8.509.234**	**2.783.545**	**4.366.698**	**34.958.869**
Other Segment Items	**666.691**	**-**	**(2.286)**	**8.871**	**673.276**
Capital Investment	-	-	-	96.963	96.963
Amortization	-	-	-	(88.092)	(88.092)
Impairment	-	-	(2.286)	-	(2.286)
Non-Cash Other Income-Expense (**)	666.691	-	-	-	666.691

(*) Corporate tax provision is not distributed.
(**) Non-Cash Other Income-Expense includes other income and expense accruals and provisions.

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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 December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
Cash/Foreign Currency	74.523	763.208	86.936	293.585
The CBRT	121.663	6.132.889	471.666	2.236.046
Other (*)	-	-	-	23.488
Total	**196.186**	**6.896.097**	**558.602**	**2.553.119**

(*) As of December 31, 2020, the group has no account of Precious Metal (December 31, 2019: TL 23.488). As of December 31, 2020 the Group has no Money in Transit.

2. Information related to balances with the CBRT:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposit	116.499	8.265	471.351	-
Unrestricted Time Deposit	5.164	2.594.328	315	-
Restricted Time Deposit	-	-	-	-
Reserve Requirements	-	3.530.296	-	2.236.046
Total	**121.663**	**6.132.889**	**471.666**	**2.236.046**

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 December 31, 2020, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 1% - 6% (December 31, 2019: 1% - 7%) for TL deposits and other liabilities and between 5% - 22% for FC deposits (December 31, 2019: 5% - 21%).

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

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 December 31, 2020	Prior Period December 31, 2019
Collateral/Blocked	-	3.821
Repurchase Agreement	-	-
Unrestricted	355.078	461.718
Total	**355.078**	**465.539**

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

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Forward Transactions	684	302.988	-	121.590
Swap Transactions	408.240	384.481	486.488	372.405
Futures Transactions	-	-	-	-
Options	-	924.415	-	616.619
Other	-	-	-	-
Total	**408.924**	**1.611.884**	**486.488**	**1.110.614**

c) Information on Banks:

1. Information on banks and other financial institutions:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Banks				
Domestic	2.584	-	386	-
Foreign	-	27.102	4	10.974
Foreign Head Office and Branches	-	-	-	-
Total	**2.584**	**27.102**	**390**	**10.974**

As of December 31, 2020, amount of TL 9 provision provided for the Parent Bank account with adoption of TFRS 9 (December 31, 2019: TL 3).

2. Information on foreign bank accounts:

	Unrestricdet Amount		Restricted Amount	
	Current Period December 31, 2020	Prior Period December 31, 2019	Current Period December 31, 2020	Prior Period December 31, 2019
European Union Countries	3.229	7.081	-	-
USD, Canada	21.482	741	-	-
OECD Countries (*)	1.070	2.985	-	-
Off-Shore Banking Regions	405	99	-	-
Other	916	72	-	-
Total	**27.102**	**10.978**	**-**	**-**

(*) OECD countries other than EU Countries, USA and Canada.

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

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 December 31, 2020	Prior Period December 31, 2019
Collateral/Blocked	1.662.904	264.634
Repurchase Agreement	1.243.581	-
Unrestricted	2.108.440	966.064
Total	**5.014.925**	**1.230.698**

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

	Current Period December 31, 2020	Prior Period December 31, 2019
Debt Securities	**5.026.843**	**1.230.698**
Quoted to Stock Exchange	5.026.843	1.230.698
Not Quoted	-	-
Share Certificate	**-**	**-**
Quoted to Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	**11.918**	**-**
Total	**5.014.925**	**1.230.698**

e) Information Related to Loans:

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

	Current Period December 31, 2020		Prior Period December 31, 2019	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	**-**	**70.035**	**-**	**95.320**
Corporate Shareholders	-	70.035	-	95.320
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	**49.609**	**465.254**	**1.483**	**561.736**
Loans Granted to Employees	**16.519**	**-**	**15.166**	**-**
Total	**66.128**	**535.289**	**16.649**	**657.056**

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

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

		Loans under Close Monitoring		
		Loans not Subject to Restructuring	Restructured Loans	
Cash Loans	**Standard Loans**		**Loans with Revised Contract Terms**	**Refinance**
Non-specialized Loans(*)	**18.572.313**	**4.690.272**	**2.450.665**	**-**
Discount Notes	11.967.931	3.722.276	2.313.364	-
Export Loans	1.993.962	253.148	92.834	-
Import Loans	323.986	271.639	-	-
Loans Given to Financial Sector	1.711.994	58.501	-	-
Retail Loans	1.084.250	112.828	2.514	-
Credit Cards	1.483.989	271.880	41.953	-
Other	6.201	-	-	-
Specialized Loans	**-**	**-**	**-**	**-**
Other Receivables	**-**	**-**	**-**	**-**
Total	**18.572.313**	**4.690.272**	**2.450.665**	**-**

(*) Includes the factoring receivables amounting to TL 59.847.

	Current Period December 31, 2020		Prior Period December 31, 2019	
	Standard Loans	**Loans Under Close Monitoring**	**Standard Loans**	**Loans Under Close Monitoring**
12 Months Expected Credit Loss	145.629	-	124.466	-
Significant Increase in Credit Risk	-	985.195	-	794.265
Total	**145.629**	**985.195**	**124.466**	**794.265**

3. Breakdown of loans according to their maturities:

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	**Restructured or Rescheduled**	**Loans and Other Receivables**	**Restructured or Rescheduled**
Short-Term Loans and Other Receivables	**12.980.448**	**-**	**1.410.940**	**29.236**
Non-Specialized Loans (*)	12.980.448	-	1.410.940	29.236
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	**5.585.865**	**-**	**3.279.332**	**2.421.429**
Non-Specialized Loans	5.585.865	-	3.279.332	2.421.429
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

(*) Includes the factoring receivables amounting to TL 59.847.

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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	**63.669**	**997.487**	**1.061.156**
Mortgage Loans	-	253.112	253.112
Vehicle Loans	67	2.559	2.626
Consumer Loans	63.602	740.480	804.082
Other	-	1.336	1.336
Consumer Loans- Indexed to FC	**-**	**409**	**409**
Mortgage Loans	-	409	409
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**1.761.544**	**22.292**	**1.783.836**
Instalment	633.170	22.292	655.462
Non Instalment	1.128.374	-	1.128.374
Individual Credit Cards-FC	**3.906**	**-**	**3.906**
Instalment	407	-	407
Non Instalment	3.499	-	3.499
Personnel Loans-TL	**1.367**	**9.123**	**10.490**
Mortgage Loans	-	-	-
Vehicle Loans s	-	-	-
Consumer Loans	1.367	9.123	10.490
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**5.999**	**2**	**6.001**
Instalment	2.797	2	2.799
Non Instalment	3.202	-	3.202
Personnel Credit Cards-FC	**28**	**-**	**28**
Instalment	-	-	-
Non Instalment	28	-	28
Overdraft Account-TL (Individual)	**127.537**	**-**	**127.537**
Overdraft Account-FC (Individual)	**-**	**-**	**-**
Total	**1.964.050**	**1.029.313**	**2.993.363**

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	**-**	**8.263**	**8.263**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	8.263	8.263
Other	-	-	-
Commercial Instalment Loans- FC Indexed	**-**	**21.831**	**21.831**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	21.831	21.831
Other	-	-	-
Commercial Instalment Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	**3.731**	**-**	**3.731**
Instalment	1.029	-	1.029
Non Instalment	2.702	-	2.702
Corporate Credit Cards-FC	**320**	**-**	**320**
Instalment	-	-	-
Non Instalment	320	-	320
Overdraft Account-TL (Commercial)	**98**	**-**	**98**
Overdraft Account-FC (Commercial)	**-**	**-**	**-**
Total	**4.149**	**30.094**	**34.243**

6. Loans according to types of borrowers:

	Current Period December 31, 2020	Prior Period December 31, 2019
Public	137	33
Private (*)	25.713.113	16.993.578
Total	**25.713.250**	**16.993.611**

(*) Includes the factoring receivables amounting to TL 59.847 (December 31, 2019: TL 126.556).

7. Distribution of domestic and foreign loans:

	Current Period December 31, 2020	Prior Period December 31, 2019
Domestic Loans	25.336.102	16.854.824
Foreign Loans	377.148	138.787
Total (*)	**25.713.250**	**16.993.611**

(*) Includes the factoring receivables amounting to TL 59.847 (December 31, 2019: TL 126.556).

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

8. Loans granted to investments in associates and subsidiaries:

As of December 31, 2020 and December 31, 2019, the Group has no loans granted to investments in associates and subsidiaries.

9. Specific provisions provided against loans:

	Current Period December 31, 2020	Prior Period December 31, 2019
Loans with Limited Collectability	487	17.593
Loans with Doubtful Collectability	17.650	76.799
Uncollectible Loans	459.634	392.603
Total	**477.771**	**486.995**

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

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability and other receivables	Loans with Doubtful Collectability and other receivables	Uncollectible Loans and other receivables
Current Period: December 31, 2020			
Gross Amounts Before Provisions	848	4.490	93.456
Rescheduled Loans	848	4.490	93.456
Prior Period: December 31, 2019			
Gross Amounts Before Provisions	8.880	7.700	24.796
Rescheduled Loans	8.880	7.700	24.796

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability and Other Receivables	Loans with Doubtful Collectability and Other Receivables	Uncollectible Loans and Other Receivables
Balance at the end of Prior Period: December 31, 2019	**36.220**	**138.980**	**532.279**
Additions (+)	21.120	27.351	304
Transfers from Other Categories of Non-Performing Loans (+)	-	49.436	175.955
Transfers to Other Categories of Non-Performing Loans (-)	49.436	175.955	-
Collections (-)	6.870	17.015	72.551
Write-offs (-)	-	-	38.177
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: December 31, 2020	**1.034**	**22.797**	**597.810**
Special Provisions (-)	487	17.650	459.634
Net Balance in Balance Sheet	**547**	**5.147**	**138.176**

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

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

As of December 31, 2020, there are no non-performing loans granted as foreign currency loans (December 31, 2019: 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 and other receivables	Loans with Doubtful Collectability and other receivables	Uncollectible Loan and other receivables s
Current Period (Net): December 31, 2020	**547**	**5.147**	**138.176**
Loans granted to corporate entities and real persons (Gross)	1.034	22.797	597.810
Provisions Amount (-)	487	17.650	459.634
Loans granted to corporate entities and real persons (Net)	547	5.147	138.176
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-
Prior Period (Net): December 31, 2019	**18.627**	**62.181**	**139.676**
Loans granted to corporate entities and real persons (Gross)	36.220	138.980	532.279
Provisions Amount (-)	17.593	76.799	392.603
Loans granted to corporate entities and real persons (Net)	18.627	62.181	139.676
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	**6.688**	**7**	**1**
Interest Accruals and Rediscount with Valuation Differences	17.118	7	1
Provision amount (-)	10.430	-	-
Prior Period (Net)	**8.132**	**9**	**1**
Interest Accruals and Rediscount with Valuation Differences	15.992	9	1
Provision amount (-)	7.860	-	-

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 judgement 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 Parent Bank's top management occurs.

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

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

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

f) Explanations on Financial Assets Measured at Amortized Cost:

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

As of December 31, 2020, the Group has no financial assets measured at amortized cost given as collateral/blocked and subject to repurchase agreements (December 31, 2019: None).

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

As of December 31, 2020, the Group has no government debt securities measured at amortized (December 31, 2019: None).

3. Information on financial assets measured at amortized cost:

As of December 31, 2020, the Group has no financial assets measured at amortized cost (December 31, 2019: None).

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

As of December 31, 2020, the Group has no movements of financial assets measured at amortized cost within the period (December 31, 2019: None).

g) Information on Associates (Net):

The Group has no associates as of December 31, 2020 and December 31, 2019.

h) Information on Subsidiaries (Net):

1. Information on capital adequacy of major subsidiaries:

The Group does not have any capital needs due to its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio. Information on capital adequacy of major subsidiaries is presented below.

	HSBC Yatırım ve Menkul Değerler A.Ş (*)
Capital Stock	**119.085**
Paid-in Capital	7.000
Share Premium	-
Reserves	41.631
Current Period's Profit and Prior Periods' Profit	70.454
Current Period's Losses and Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	-
Intangible Assets (-)	102
Supplementary Capital	-
Deductions from Capital	-
Net Available Equity	**118.983**

(*) Prepared with the audited financial statements as of December 31, 2020.

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

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

a) Consolidated subsidiaries:

Title	Address (City/Country)	The Group'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	-

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
2.793	2.792	-	-	-	501	13	-

(*) Prepared with the non-audited financial statements as of December 31, 2020.

3. Information on the consolidated subsidiaries:

HSBC Yatırım was established as Demir Yatırım on December 23, 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 December 6, 2001 based on the authority given to the Board of Directors in accordance with General Assembly decision dated October 30, 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 January 11, 2002. HSBC Yatırım Menkul Değerler A.Ş was participated HSBC Portföy Yönetim A.Ş. 100% as its founder shareholder on August 13, 2003.

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 Değerler A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	100,00	-

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
176.978	119.086	3.756	7.950	946	47.435	33.905	-

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

4. Movement schedule of the consolidated subsidiaries:

	Current Period December 31, 2020	Prior Period December 31, 2019
Balance at the Beginning of the Period	**34.753**	**34.753**
Movements During the Period	**-**	**-**
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Provision Decrease of Valuation	-	-
Balance at the End of the Period	**34.753**	**34.753**
Capital Commitments	**-**	**-**
Share Percentage at the End of the Period (%)	**100,00**	**100,00**

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

	Current Period December 31, 2020	Prior Period December 31, 2019
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

6. Subsidiaries quoted on a stock exchange:

The Group has no subsidiaries quoted on a stock exchange as of December 31, 2020 and December 31, 2019.

i) Information on jointly controlled entities:

1. The Group has no jointly controlled entities as of December 31, 2020 and December 31, 2019.

2. As of December 31, 2020 and December 31, 2019, the accounting method is not determined since the Group has no jointly controlled entities.

j) Information on financial lease receivables (Net):

As of December 31, 2020 and December 31, 2019, the Group has no finance leases.

k) Information on hedging derivative financial assets:

The Group has no hedging of derivative financial assets as of December 31, 2020 and December 31, 2019.

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

l) Explanations on Property and Equipment:

Prior Period End:	Real Estate	TFA obtained by operational leasing	Vehicles	Other TFA	Total
Cost	17.201	154.875	10.461	308.309	490.846
Accumulated Depreciation and Impairment (-)	10.626	32.143	2.287	220.999	266.055
Net Book Value	**6.575**	**122.732**	**8.174**	**87.310**	**224.791**
Current Period End:					
Net Book Value at the Beginning	6.575	122.732	8.174	87.310	224.791
Additions	-	31.184	-	43.686	74.870
Disposals (Cost)	-	4.406	882	4.233	9.521
Disposals (Depreciation)	-	-	280	3.464	3.744
Depreciation (-)	287	40.434	2.011	29.720	72.452
Cost at Period End	17.201	181.653	9.579	347.762	556.195
Accumulated Depreciation at Period End (-)	10.913	72.577	4.018	247.255	334.763
Closing Net Book Value	**6.288**	**109.076**	**5.561**	**100.507**	**221.432**

m) Information on Intangible Assets:

1. Gross book value and accumulated depreciation amounts at the beginning and ending of the period:

	Current Period December 31, 2020	Prior Period December 31, 2019
Gross Book Value	506.025	451.110
Accumulated Depreciation (-)	324.219	282.671
Net Book Value	**181.806**	**168.439**

2. Table of movements between beginning of the period and ending of the period:

	Current Period December 31, 2020	Prior Period December 31, 2019
Opening Balance	**168.439**	**150.954**
Additions	58.411	64.430
Disposals (-) (net)	3.496	20.708
Depreciation (-)	41.548	26.237
Closing Net Book Value	**181.806**	**168.439**

n) Information on the Investment Properties:

As of December 31, 2020 and December 31, 2019, the Group has no investment properties.

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

o) Explanations on Deferred Tax Asset:

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	Cumulative December 31, 2020	Deferred Tax Asset/Liability December 31, 2020
I and II Stage Loan Provisions	1.157.925	231.585
Unearned Revenues	60.976	12.195
Employee Termination Benefit Provision	62.120	12.424
Derivative Expense Rediscount Provision	1.883.171	376.634
Other	250.045	50.213
Deferred Tax Asset	**3.414.237**	**683.051**
Derivative Transactions Fair Value Difference	(2.128.049)	(425.610)
Other	-	-
Deferred Tax Liability	**(2.128.049)**	**(425.610)**
Deferred Tax Asset Recognized as Expense		**-**
Net Tax Asset (*)		**257.441**

(*) Information of deferred tax asset of the Group as of December 31, 2020 is explained in Note XX of Section Three.

	Cumulative December 31, 2019	Deferred Tax Asset/Liability December 31, 2019
I and II Stage Loan Provisions	945.032	189.006
Unearned Revenues	56.747	12.486
Employee Termination Benefit Provision	57.901	11.992
Restructuring Provision	4.114	905
Derivative Expense Rediscount Provision	1.440.432	295.395
Other	223.903	49.119
Deferred Tax Asset	**2.728.129**	**558.903**
Derivative Transactions Fair Value Difference	(1.649.764)	(347.891)
Other	-	-
Deferred Tax Liability	**(1.649.764)**	**(347.891)**
Deferred Tax Asset Recognized as Expense		**-**
Net Tax Asset (*)		**211.012**

(*) Information of deferred tax asset of the Group as of December 31, 2019 is explained in Note XX of Section Three.

	Current Period December 31, 2020	Prior Period December 31, 2019
Deferred Tax as of January 1 Asset/(Liability) – Net	**211.012**	**247.398**
Deferred Tax (Loss)/Gain	47.330	(35.983)
Deferred Tax that is Realized under Shareholder's Equity	(901)	(403)
Deferred Tax Asset/(Liability) – Net	**257.441**	**211.012**

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

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)

p. Explanations on Assets Held for Sale and Assets Related to Discontinued Operations:

As of December 31, 2020, assets held for sale of the Group is TL 1.221 (December 31, 2019: TL 2.095).

	Current Period December 31, 2020	Prior Period December 31, 2019
Prior Period End:		
Cost	2.230	1.524
Accumulated Depreciation (-)	135	155
Net Book Value	**2.095**	**1.369**
Current Period End:		
Net Book Value at the Beginning	2.095	1.369
Additions	1.129	2.023
Disposals (Cost)	2.113	1.317
Disposals (-) (Depreciation)	132	52
Depreciation (-)	22	32
Cost at Period End	1.246	2.230
Accumulated Depreciation at Period End (-)	25	135
Closing Net Book Value	**1.221**	**2.095**

r. Information on Other Assets:

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

	Current Period December 31, 2020	Prior Period December 31, 2019
Miscellaneous Receivables (*)	124.158	497.118
Prepaid Expenses	68.236	26.960
Debited Suspense Accounts	58.243	56.920
Other Rediscount Income (**)	16.932	27.264
Other Assets	8.756	5.582
Total	**276.325**	**613.844**

(*) Includes BIST and derivative securities.
(**) As of December 31, 2020 amount of TL 380 provision provided for Miscellaneous Receivables within the scope of TFRS 9 (December 31, 2019: TL 4.998).

s. Information on Receivables From Forward Sale of the Assets Classified in the Miscellaneous Receivables:

As of December 31, 2020 and December 31, 2019, the Group has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a) Information on Deposits

1. Information on maturity structure of the deposits:

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

1(i). Current Period – December 31, 2020:

	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	374.165	-	803.165	2.963.736	186.985	67.002	34.476	-	4.429.529
Foreign Currency Deposits	9.206.514	-	2.935.774	5.076.203	432.501	71.477	144.989	-	17.867.458
Residents in Turkey	8.145.756	-	2.673.584	4.518.207	359.933	33.892	63.132	-	15.794.504
Residents Abroad	1.060.758	-	262.190	557.996	72.568	37.585	81.857	-	2.072.954
Public Sector Deposits	224	-	-	-	-	-	-	-	224
Commercial Deposits	686.509	-	2.482.983	250.260	-	-	-	-	3.419.752
Other Institutions Deposits	3.988	-	81	-	-	-	-	-	4.069
Precious Metal Deposit	4.125.522	-	24.544	380.679	5.407	4.453	362	-	4.540.967
Bank Deposit	163.952	-	497.127	-	-	-	-	-	661.079
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	163.952	-	497.127	-	-	-	-	-	661.079
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**14.560.874**	**-**	**6.743.674**	**8.670.878**	**624.893**	**142.932**	**179.827**	**-**	**30.923.078**

1(ii). Prior Period – December 31, 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	335.609	-	1.287.513	1.942.865	68.616	49.390	49.718	-	3.733.711
Foreign Currency Deposits	3.508.861	-	5.930.606	9.072.709	419.547	138.000	127.691	-	19.197.414
Residents in Turkey	3.057.949	-	5.708.534	8.394.476	361.775	107.393	45.970	-	17.676.097
Residents Abroad	450.912	-	222.072	678.233	57.772	30.607	81.721	-	1.521.317
Public Sector Deposits	3.118	-	-	-	-	-	-	-	3.118
Commercial Deposits	465.213	-	2.221.408	223.009	91.688	125.816	55.981	-	3.183.115
Other Institutions Deposits	4.328	-	89	-	-	-	-	-	4.417
Precious Metal Deposit	1.128.921	-	19.815	226.083	2.832	5.529	-	-	1.383.180
Bank Deposits	127.864	-	107.446	-	-	-	-	-	235.310
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	127.864	-	107.446	-	-	-	-	-	235.310
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**5.573.914**	**-**	**9.566.877**	**11.464.666**	**582.683**	**318.735**	**233.390**	**-**	**27.740.265**

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

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:

Saving Deposits	Covered by Deposit Insurance Fund Current Period December 31, 2020	Exceeding Deposit Insurance Limit Current Period December 31, 2020	Covered by Deposit Insurance Fund Prior Period December 31, 2019	Exceeding Deposit Insurance Limit Prior Period December 31, 2019
Saving Deposits	2.088.283	2.341.246	1.983.508	1.750.203
Foreign Currency Saving Deposits	3.366.384	9.692.579	3.330.674	12.173.517
Other Deposits in the Form of Saving Deposits	722.277	3.646.937	137.541	1.226.965
Foreign Branches’ Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Off-Shore Banking Regions’ Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	**6.176.944**	**15.680.762**	**5.451.723**	**15.150.685**

2(ii). Since the head office of the Parent 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 December 31, 2020	Prior Period December 31, 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 warship	45.660	24.227
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 December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
Forward Transactions	-	179.701	-	188.735
Swap Transactions	374.618	402.235	464.612	169.598
Future Transactions	-	-	-	-
Options	-	926.617	-	617.487
Other	-	-	-	-
Total	**374.618**	**1.508.553**	**464.612**	**975.820**

c. Information on funds provided under repurchase agreements:

As of December 31, 2020, the Group has TL 1.242.251 amount funds provided under repurchase agreements (December 31, 2019: None).

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

d) Information on Funds Borrowed:

1. Information on banks and other financial institutions:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	-	-
Foreign Banks and Institutions and Funds	-	1.931.228	-	30.720
Total	**-**	**1.931.228**	**-**	**30.720**

2. Information on the maturity structure of funds borrowed:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
Short-Term	-	742.670	-	30.720
Medium and Long-Term	-	1.188.558	-	-
Total	**-**	**1.931.228**	**-**	**30.720**

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

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

e) Information on marketable securities issued:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
Bills	951.920	-	-	-
Bonds	-	-	-	-
Total	**951.920**	**-**	**-**	**-**

f) Information on Foreign Other Liabilities:

Other foreign liabilities of the Group under "Other Liabilities" do not exceed 10% of the total liabilities.

g) Information on Financial Leasing Agreements:

1. Explanations on finance lease payables

With the "TFRS 16 Leases" standard valid from January 1, 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 December 31, 2020	Prior Period December 31, 2019
Less than 1 year	5.236	2.963
Between 1- 4 years	39.262	75.872
More than 4 years	58.458	45.558
Total	**102.956**	**124.393**

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

h) Information on Derivative Financial Liabilities for Hedging Purposes:

As of December 31, 2020, the Group has no derivative financial liabilities for hedging purposes (December 31, 2019: None).

i) Information on Provisions:

1. Information on general provisions:

	Current Period December 31, 2019	Prior Period December 31, 2019
Provisions for off-balance sheet commitments (*)	24.664	25.855

(*)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 December 31, 2020, the Group has employee termination benefit provision amounting to TL 62.161 (December 31, 2019: TL 57.901), and unused vacation provision amounting to TL 12.231 (December 31, 2019: TL 9.917).

In accordance with existing Turkish Labour Law, the Parent Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group 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 7.117,17 (full TL) (December 31, 2019: TL 6.379,86 (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 Group determined by using certain actuarial assumptions. TAS 19 requires actuarial valuation methods to be used in order to calculate Group'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 Group is calculated from the ceiling amount valid from July 1, 2020, TL 7.117,17 (full TL) (December 31, 2019: TL 6.379,86 (full TL)).

	Current Period December 31, 2020	Prior Period December 31, 2019
As of January 1	57.901	56.629
Service Cost	3.979	4.170
Interest Cost	6.762	7.805
Actuarial Loss / (Gain)	(5.017)	(4.638)
Paid in Current Period	(1.464)	(6.065)
Total	**62.161**	**57.901**

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

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

As of December 31, 2020, the group has no provisions related to foreign currency difference on the principles of foreign currency indexed loans (December 31, 2019: None).

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

As of December 31, 2020, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.793 (December 31, 2019: TL 1.857).

5. Information on restructuring provisions:

As of December 31, 2020, the group has no provision for restructuring (December 31, 2019: TL 4.114).

6. Information on other provisions:

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

As of December 31, 2020, the Group has no free provisions for possible risks (December 31, 2019: 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 December 31, 2020	Prior Period December 31, 2019
Provision for Lawsuits	37.395	35.716
Provision for Accumulated Credit Card Bonus	2.962	4.058
Return Provision of Case File Expenses	298	570
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.793	1.857
Other Provisions (*)	67.891	56.154
Total	**110.339**	**98.355**

(*) As of December 31, 2020, other provisions amounting TL 24.664 (December 31, 2019: TL 25.855) with TFRS 9 stage 1 and stage 2 non-cash loans provision for expected losses and includes other provisions within TAS 37.

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

j) Explanations on Tax Liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period December 31, 2020	Prior Period December 31, 2019
Taxation on Marketable Securities	25.548	23.262
Banking Insurance Transaction Tax (BITT)	14.319	11.815
Value Added Tax Payable	1.132	749
Capital Gains Tax on Property	600	408
Foreign Exchange Transaction Tax	2.690	2.190
Corporate Taxes Payable	58.258	(22.332)
Other (*)	8.844	7.978
Total	**111.391**	**24.070**

(*) As of December 31, 2020, other taxes payable amount consists of payroll tax amounting to TL 7.311 (December 31, 2019: TL 6.731), stamp tax amounting to TL 235 (December 31, 2019: TL 220), other taxes amounting to TL 1.039 (December 31, 2019: TL 850) and self-employed income tax amounting to TL 259 (December 31, 2019: TL 177).

1(ii). Information on premium payables:

	Current Period December 31, 2020	Prior Period December 31, 2019
Social Security Premiums – Employer	4.092	5.138
Social Security Premiums – Employee	5.937	3.750
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	594	363
Unemployment Insurance – Employee	417	718
Other	-	-
Total	**11.040**	**9.969**

2. Information on deferred tax liability:

Information on the Group's deferred tax liability as of December 31, 2020 is explained in Note XX of Section Three.

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

As of December 31, 2020 and December 31, 2019, the Group has no liabilities regarding assets held for sale and discontinued operations.

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

l) Explanations on the Number of Subordinated Loans the Parent Bank Used, Maturity, Interest Rate, Institution That the Loan Was Borrowed from, and Conversion Option, If Any:

As of December 31, 2020, the Group has obtained a subordinated loan from HSBC Holdings Plc amounting to USD 210 million with 10 years maturity and USD Libor + 4,48% interest rate in accordance with the permit from BRSA No: 20008792 dated January 26, 2015.

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	1.652.797	-	1.337.281
Other Foreign Institutions	-	-	-	-
Total	-	**1.652.797**	-	**1.337.281**

m) Information on Shareholder's Equity:

1. Presentation of paid-in capital:

	Current Period December 31, 2020	Prior Period December 31, 2019
Common Stock Provision	652.290	652.290
Preferred Stock Provision	-	-

Amount of paid-in capital of The Parent Bank is presented in nominal amount. As of December 31, 2020 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 (December 31, 2019: 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 Group has not increased its share capital during the current period.

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

The Group 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 Group has no capital commitments.

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

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

The Group tends to strengthen its shareholders’ equity according to the assessment of financial figures for prior periods regarding the Group’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 Group has no privileges given to shares representing the capital.

8. Information on valuation differences of marketable securities:ceren

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	**-**	**-**	**-**	**-**
Valuation Difference	-	-	-	-
Foreign Currency Difference	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	**9.735**	**-**	**26.011**	**-**
Valuation Difference	9.735	-	26.011	-
Foreign Currency Difference	-	-	-	-
Total	**9.735**	**-**	**26.011**	**-**

9. Information on revaluation value increase fund:

As of December 31, 2020 and December 31, 2019, the Group has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period December 31, 2020	Prior Period December 31, 2019
First Legal Reserve	186.541	186.415
Second Legal Reserve	14.942	12.584
Legal Reserves according to Special Legislation	-	-
Total	**201.483**	**198.999**

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

11. Information on extraordinary reserves:

	Current Period December 31, 2020	Prior Period December 31, 2019
Reserves Allocated per General Assembly Minutes	1.916.136	1.439.748
Retained Earnings	97.844	97.844
Accumulated Loss	-	-
Foreign Currency Differences	-	-
Total	**2.013.980**	**1.537.592**

12. Information on Minority Shares:

The Group has no minority shares as of December 31, 2020 and December 31, 2019.

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

Based on the approval of the Banking Regulation and Supervision Agency dated June 21, 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Group'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 June 29, 2017.

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

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

a) Explanations on Off-Balance Sheet Commitments:

1. Loans Type and amount of irrevocable commitments:

	Current Period December 31, 2020	Prior Period December 31, 2019
Asset Purchase and Sale Commitments	14.713.727	6.362.504
Commitments for Credit Card Limits	3.308.035	3.206.861
Commitments for Cheques	15.531	20.119
Loan Granting Commitments	188.459	578.715
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	18.102	13.950
Tax and Fund Liabilities from Export Commitments	2.286	2.286
Other Irrevocable Commitments	542.659	537.029
Total	**18.788.799**	**10.721.464**

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

The Parent 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 December 31, 2020	Prior Period December 31, 2019
Letters of Guarantee	4.047.939	2.867.210
Letters of Credit	2.027.452	1.678.260
Bank Acceptances	412	1.029
Other Guarantees	203.954	218.927
Total	**6.279.757**	**4.765.426**

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

The Parent 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 December 31, 2020	Prior Period December 31, 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	**6.279.757**	**4.765.426**
Total	**6.279.757**	**4.765.426**

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

III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Continued)

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

	Current Period December 31, 2020				Prior Period December 31, 2019			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**6.141**	**0,48**	**-**	**-**	**6.191**	**0,54**	**-**	**-**
Farming and Raising Livestock	6.141	0.48	-	-	6.191	0,54	-	-
Forestry	-	-	-	-	-	-	-	-
Fishig	-	-	-	-	-	-	-	-
Manufacturing	**422.341**	**32,73**	**2.028.002**	**40,64**	**459.039**	**39,95**	**1.430.444**	**39,55**
Mining and Quarrying	72	0,01	1.197	0,02	16	-	371	0,01
Production	388.714	30,12	1.907.501	38,23	426.010	37,08	1.430.073	39,54
Electric, Gas and Water	33.555	2,60	119.304	2,39	33.013	2,87	-	-
Construction	**24.447**	**1,89**	**1.175.935**	**23,57**	**24.619**	**2,14**	**893.982**	**24,72**
Services	**833.896**	**64,61**	**1.785.226**	**35,79**	**656.795**	**57,16**	**1.291.952**	**35,73**
Wholesale and Retail Trade	392.690	30,43	684.448	13,72	300.784	26,17	502.045	13,89
Hotel, Food and Beverage Services	16.248	1,26	5.307	0,11	17.061	1,48	14.073	0,39
Transportation and Telecommunication	80.471	6,23	180.325	3,61	30.401	2,65	103.069	2,85
Financial Institutions	153.555	11,90	849.371	17,03	156.454	13,62	604.675	16,72
Real Estate and Leasing Services	186.827	14,48	55.509	1,11	148.089	12,89	46.819	1,29
Self-employment Services	4.055	0,31	2.839	0,06	3.866	0,34	6.398	0,18
Education Services	-	-	-	-	90	0,01	-	-
Health and Social Services	50	0,00	7.427	0,15	50	-	14.873	0,41
Other	**3.769**	**0,29**	**-**	**-**	**2.404**	**0,21**	**-**	**-**
Total	**1.290.594**	**100,00**	**4.989.163**	**100,00**	**1.149.048**	**100,00**	**3.616.378**	**100,00**

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

Current Period	**Group I**		**Group II**	
December 31, 2020	**TL**	**FC**	**TL**	**FC**
Non-Cash Loans	**1.287.869**	**4.951.782**	**1.729**	**37.381**
Letters of Guarantee	1.262.869	2.745.211	1.729	37.134
Bank Acceptances	-	412	-	-
Letters of Credit	25.000	2.002.452	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	203.707	-	247

Prior Period	**Group I**		**Group II**	
December 31, 2019	**TL**	**FC**	**TL**	**FC**
Non-Cash Loans	**1.145.494**	**3.584.849**	**1.722**	**31.529**
Letters of Guarantee	1.122.287	1.711.620	1.722	29.749
Bank Acceptances	-	184	-	845
Letters of Credit	23.207	1.654.316	-	737
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	218.729	-	198

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

III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS (Continued)

b) Explanations on Derivative Transactions:

	Current Period December 31, 2020	Prior Period December 31, 2019
Foreign Currency Swap Transactions	65.682.655	55.677.637
Interest Rate Swap Transactions	23.081.590	22.680.016
Foreign Currency Options Transactions	19.038.580	24.201.108
Forward Foreign Currency Transactions	29.089.611	21.031.577
Precious Metals Swap Transactions	3.319.268	1.709.024
Precious Metals Options Transactions	1.736.225	177.699
Total	**141.947.929**	**125.477.061**

1. Cash flow hedging accounting:

As of December 31, 2020, there are no swap transactions subjected to cash flow hedge accounting as hedging instrument (December 31, 2019: None).

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 December 31, 2020, 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 Group has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of December 31, 2020, the total provision of TL 298 (December 31, 2019: TL 570) has been made for those lawsuits as the probability of being concluded against the group is higher than the probability of their concluding in its favor, with TL 37.395 (December 31, 2019: TL 36.286) being for provisions for refunds related to case document charges.

e) Explanations on Fiduciary Services Rendered on Behalf of Third Parties:

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

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

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a) Information on Interest Income:

1. Information on interest income received from loans:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
Interest Income on Loans [(*)]				
Short-Term Loans	874.400	114.078	1.468.144	69.487
Medium and Long-Term Loans	234.362	450.476	360.364	329.704
Interest on Loans Under Follow-Up	23.087	326	22.128	-
Resource Utilization Support Fund	-	-	-	-
Total	**1.131.849**	**564.880**	**1.850.636**	**399.191**

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

2. Information on interest income received from banks:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
From the CBRT	681	-	62.788	-
From Domestic Banks	53.688	-	79.200	41
From Foreign Banks	1.207	3.170	2.547	12.383
Headquarters and Branches Abroad	-	-	-	-
Total	**55.576**	**3.170**	**144.535**	**12.424**

3. Information on interest income on marketable securities:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	**FC**	**TL**	**FC**
Financial Assets at Fair Value Through Profit or Loss	42.009	5.218	58.366	3.990
Financial Assets at Fair Value Through Other Comprehensive Income	475.424	-	86.543	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Total	**517.433**	**5.218**	**144.909**	**3.990**

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

As of December 31, 2020 and December 31, 2019, the Parent Bank has no interest income received from investments in associates and subsidiaries.

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

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

b) Information on Interest Expense:

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

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	122.589	156.771	99.585
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	**-**	**122.589**	**156.771**	**99.585**

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

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

None.

3. Information on interest expense to marketable securities issued:

	Current Period December 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Interest Expense to Marketable Securities Issued	31.370	-	-	-
Total	**31.370**	**-**	**-**	**-**

4. Maturity structure of the interest expense on deposits:

		Time Deposit						
Current Period: December 31, 2020	**Demand Deposit**	**Up to 1 Month**	**Up to 3 Month**	**Up to 6 Month**	**Up to 1 Year**	**More Than 1 year**	**Cumulative Deposit**	**Total**
Turkish Lira								
Interbank deposits	-	29.951	-	-	-	-	-	29.951
Saving deposits	-	72.120	263.406	8.915	4.070	4.483	-	352.994
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	184.104	28.077	3.844	3.128	2.712	-	221.865
Other deposits	-	7	-	-	-	-	-	7
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	**-**	**286.182**	**291.483**	**12.759**	**7.198**	**7.195**	**-**	**604.817**
Foreign Currency								
Foreign currency deposits	-	15.907	33.106	2.817	3.730	1.814	-	57.374
Interbank deposits	-	6	-	-	-	-	-	6
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	11	594	10	20	-	-	635
Total	**-**	**15.924**	**33.700**	**2.827**	**3.750**	**1.814**	**-**	**58.015**
Grand Total	**-**	**302.106**	**325.183**	**15.586**	**10.948**	**9.009**	**-**	**662.832**

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

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

Prior Period: December 31, 2019	Demand Deposit	Time Deposit Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year	Cumulative Deposit	Total
Turkish Lira								
Interbank deposits	-	19.476	-	-	-	-	-	19.476
Saving deposits	-	177.143	392.932	60.312	24.282	28.145	-	682.814
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	366.554	89.630	6.888	12.824	24.027	-	499.923
Other deposits	-	196	1.282	-	-	-	-	1.478
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	**-**	**563.369**	**483.844**	**67.200**	**37.106**	**52.172**	**-**	**1.203.691**
Foreign Currency								
Foreign currency deposits	-	77.072	136.417	12.675	3.567	2.787	-	232.518
Interbank deposits	-	6.327	-	-	-	-	-	6.327
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	23	1.142	19	52	-	-	1.236
Total	**-**	**83.422**	**137.559**	**12.694**	**3.619**	**2.787**	**-**	**240.081**
Grand Total	**-**	**646.791**	**621.403**	**79.894**	**40.725**	**54.959**	**-**	**1.443.772**

4. Information on interest given on repurchase agreements:

As of December 31, 2020, the Group has interest given on repurchase agreements amounting to TL 253.868 (December 31, 2019: TL 16.390).

5. Information on finance lease expenses:

As of December 31, 2020, the Group has lease expenses amounting to TL 18.778 (December 31, 2019: TL 18.991).

6. Information on interest given on factoring payables:

The Group has no interest given on factoring payables during the period ended on December 31, 2020 and December 31, 2019.

c) Explanations on Dividend Income:

As of December 31, 2020, the share of the Parent Bank in the dividend distribution of its subsidiaries is TL 89 (December 31, 2019: TL 6.420)

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

1. Trading income/loss (Net):

	Current Period December 31, 2020	Prior Period December 31, 2019
Profit	**144.153.820**	**49.218.389**
Capital Market Transactions Income	343.036	260.887
Gain on Derivative Financial Transactions	9.872.585	6.768.200
Foreign Exchange Gains	133.938.199	42.189.302
Loss (-)	**143.636.119**	**49.308.096**
Capital Market Transactions Loss	190.832	182.319
Loss on Derivative Financial Transactions	8.717.581	6.499.771
Foreign Exchange Loss	134.727.706	42.626.006
Total (Net)	**517.701**	**(89.707)**

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

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

e) Information on Other Operating Income:

	Current Period December 31, 2020	Prior Period December 31, 2019
Reverse of Previous Years Expenses(*)	289.633	264.311
Gain on Sale of Assets	2.083	1.089
Provision for Telecommunication Expense	3.530	3.120
Other Income	61.349	35.269
Total	**356.595**	**303.789**

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

f) Impairment Provisions Related to Loans and Other Receivables of The Group:

	Current Period December 31, 2020	Prior Period December 31, 2019
Expected Credit Loss	472.738	346.127
12 Months Expected Credit Loss (Stage 1)	82.385	81.387
Significant Increase in Credit Risk (Stage 2)	314.183	140.087
Non-performing Loans (Stage 3)	76.170	124.653
Marketable Securities Impairment Expense	12.502	2.286
Financial Assets at Fair Value Through Profit or Loss	11.175	2.178
Financial Assets at Fair Value Through Other Comprehensive Income	1.327	108
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Other	-	-
Total	**485.240**	**348.413**

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

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

g) Information related to other operating expenses:

	Current Period December 31, 2020	Prior Period December 31, 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	72.452	61.823
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	41.548	26.237
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	22	32
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	378.351	241.834
Leasing Expenses on TFRS 16 Exceptions	5.932	16.632
Maintenance Licensing Expenses	26.392	49.946
Maintenance Expenses	57.774	24.818
Communication Expenses	15.260	14.764
Advertisement Expenses	32.269	44.775
Other Expenses(**)	240.724	90.899
Loss on Sales of Assets	13.468	6.986
Tax, Duties, Charges and Funds Expenses	83.512	92.040
Saving Deposit Insurance Fund Expenses	58.062	42.164
Other (*)	301.844	231.554
Total	**949.259**	**702.670**

(*) Other line amount TL 301.844 (December 31, 2019: TL 231.554) consists of balances from these items respectively; TL 1.228 of audit and consultancy fees (December 31, 2019: TL 1.118), TL 618 of the arbitration committee expenses (December 31, 2019: TL 892) and the remaining TL 299.998 consists of other expenses (December 31, 2019: TL 229.544)

(**) The amount shown in the other operating expenses line 136.392 TL of the 240.724 TL refers to the amounts related to the administrative fines notified to the Parent Bank by the BRSA due to the Parent Bank's asset ratio below the rate determined in May, June, and July. The Parent Bank fully complied with the asset ratio regulation in August.

h) Explanation on Income/Loss Before Tax For The Period For Continued and Discontinued Operations:

As of December 31, 2020, the Group has operating income amounting to TL 2.589.043 (December 31, 2019: TL 2.191.808). The amount of provisions for losses for loans and other receivables is TL 485.240 (December 31, 2019: TL 348.413), other operating expenses amounting to TL 949.259 (December 31, 2019: TL 702.670), profit before tax amounts to TL 623.133 (December 31, 2019: TL 621.121 profit before tax).

i) Information on Tax Provision For Continuing and Discontinued Operations:

As of December 31,2020, the Group has corporate tax provision expense amounting to TL 217.731 (December 31, 2019: TL 106.266 expense) and deferred tax income of TL 47.330 (December 31, 2019: TL 35.983 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.

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

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

k) Explanation on Net Profit and Loss For the Period:

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

Net interest income, amounting to TL 1.287.102 (December 31, 2019: TL 1.515.369), net wage and commission income amounting to TL 427.556 (December 31, 2019: TL 455.937) have an important role among the income items in the accounting period ending on December 31, 2020. 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 Group'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.

The amount shown in the other operating expenses line TL 136.392 of the TL 949.259 refers to the amounts related to the administrative fines notified to the Parent Bank by the BRSA due to the Parent Bank's asset ratio below the rate determined in May, June, and July. The Parent Bank fully complied with the asset ratio regulation in August and the related regulation was abolished as of December 31, 2020.

2. The effect on the current period profit/loss of the changes in estimations related to financial statements made by the Group, 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 December 31, 2020	Prior Period December 31, 2019
Credit Card Transactions	141.872	252.204
Commissions Received from Banking Transactions	12.355	12.403
Insurance Commisions	39.599	38.398
Fund Platform	75.226	45.218
Other Fee and Commissions	120.316	86.591
Total	**389.368**	**434.814**

V. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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:

As of December 31, 2020, there is an increase in investment securities valuation differences balance amounting to TL 9.735 (December 31, 2019: TL 26.011 increase). This amount consists of the interest income of the debt instruments, a type of marketable securities, which is calculated by using effective interest rate method and their fair value difference, the costs of share certificates and their fair value differences and the deferred tax effects of these transactions which cannot be related to profit or loss.

As of December 31, 2020, the decrease of TL 16.276 (December 31, 2019: TL 72.103 increase) arising from re-measuring the investments financial assets at fair value through other comprehensive income at their fair value after netting the deferred tax effect, has been shown as a current period movement in the calculation of the securities value increase fund in the equities difference table.

2. Information on increases in cash flow hedges:

The information regarding the accounting of cash flow hedges are explained in Note b.1 of Section Three.

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:

In the accounting period ending December 31, 2020, profit amounting to TL 8.431 (December 31, 2019: TL 2.695 profit) arising from the revaluation of investments financial assets at fair value through other comprehensive income has been transferred from equities to net profit/loss account since the investment financial assets at fair value through other comprehensive income was sold.

2. Information on cash flow hedges:

The information regarding the accounting of cash flow hedges are explained in Note b.1 of Section Three.

c) Information on dividend distribution:

As of reporting date, yearly ordinary meeting of the General Assembly has not been held.

d) Information on issuance of common stock:

The Parent Bank has no issuance of common stock as of December 31, 2020 and December 31, 2019.

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

As of December 31, 2020 and December 31, 2019, the adjustments made for prior periods do not have any effect on opening balance sheets of the Parent Bank.

f) Offsetting prior period's losses:

As of December 31, 2020 and December 31, 2019, the Parent Bank does not have any offset transactions relating to previous year's losses.

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

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOW

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

Operating profit amounting to TL 1.377.070 income (December 31, 2019: TL 951.014) consists of interest income amounting to TL 2.477.791 (December 31, 2019: TL 3.270.285), interest expense amounting to TL 1.121.426 (December 31, 2019: TL 1.918.988), personnel expenses amounting to TL 493.492 (December 31, 2019: TL 462.835) and net income other than interest amounting to TL 514.197 (December 31, 2019: TL 50.330 income).

Net increase in other liabilities amounting to TL 1.331.620 (December 31, 2019: TL 246.227 increase) consists mainly of changes in miscellaneous payables, subordinated debts, other liabilities and taxes and other duties payable.

Effect of change in exchange rate on cash and cash equivalents is calculated approximately TL 21.779 decrease (December 31, 2019: TL 4.245 increase) as of December 31, 2020.

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

The Group has no cash flow arising from acquisition of associates, subsidiaries and other investments as of December 31, 2020 and December 31, 2019.

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

The Group has no cash flow related to disposals of associates, subsidiaries or other investments as of December 31, 2020 and December 31, 2019.

d. Information on cash and cash equivalents:

Cash and cash equivalents at the beginning of the period:

	Current Period December 31, 2020	**Prior Period December 31, 2019**
Cash	403.574	649.779
Interbank Money Market Placements	10.994.329	8.415.487
CBRT, Banks and Other Financial Institutions	476.694	4.157.297
Total Cash and Cash Equivalents	**11.874.597**	**13.222.563**

Cash and cash equivalents at the end of the period:

	Current Period December 31, 2020	**Prior Period December 31, 2019**
Cash	836.467	403.574
Interbank Money Market Placements	3.333.610	10.994.329
CBRT, Banks and Other Financial Institutions	2.743.078	476.694
Total Cash and Cash Equivalents	**6.913.155**	**11.874.597**

e) Additional information:

None.

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

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

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

Current Period –December 31, 2020

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Group		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	1.483	657.056	-	-
Closing Balance	-	-	49.609	535.289	408	-
Interest and Commission Income	-	-	1.207	176	-	-

Prior Period –December 31, 2019

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Group		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	15.268	633.491	-	-
Closing Balance	-	-	1.483	657.056	-	-
Interest and Commission Income (*)	-	-	2.547	915	-	-

2. Deposits held by the Group's risk group:

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Group	Other Individuals and Legal Entities in the Risk Group
Deposit	Current Period December 31, 2020	Current Period December 31, 2020	Current Period December 31, 2020
Opening Balance	2.167	127.787	24.029
Closing Balance	2.640	186.266	42.579
Interest expense on deposits	-	-	502

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Group	Other Individuals and Legal Entities in the Risk Group
Deposit	Prior Period December 31, 2019	Prior Period December 31, 2019	Prior Period December 31, 2019
Opening Balance	5.510	92.407	13.244
Closing Balance	2.167	127.787	24.029
Interest expense on deposits	-	-	795

3. Information on forward transactions, option agreements and similar transactions between the Group'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 December 31, 2020	Current Period December 31, 2020	Current Period December 31, 2020
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	28.671.672	1.342
Closing Balance	-	42.775.309	2.623
Total Profit/Loss	-	95.981	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

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

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

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 December 31, 2019	Prior Period December 31, 2019	Prior Period December 31, 2019
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	18.861.471	-
Closing Balance	-	28.671.672	1.342
Total Profit/Loss	-	71.800	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

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

As of December 31, 2020, payment is made to the Board of Directors and top executives of the Group amounting to TL 52.185 (December 31, 2019: TL 46.685).

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

Information on the Group's domestic and foreign branches and foreign representatives of the Group:

	Number	Number of Employees	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branch	77	1.994			
Foreign Representation Office	-	-	-		
Foreign branch	-	-	-	-	-
Off-shore Banking Region Branches	-	-	-	-	-

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

The consolidated financial statements for the period ended December 31, 2020 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 March 8, 2021 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.