

HSBC BANK A.Ş.

PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT AT MARCH 31, 2021

(Convenience translation of publicly announced unconsolidated financial statements and independent auditor's limited review report at March 31, 2021, See Note I. of Section Three)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

(Convenience translation of publicly announced unconsolidated 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.;

Opinion

We have reviewed the unconsolidated balance sheet of HSBC BANK A.Ş (the Bank), which comprise the statement of financial position as at March 31, 2021, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three-month-period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of HSBC Bank A.Ş as at March 31, 2021 and financial performance and unconsolidated its cash flows for the three-month-period 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.

Scope of Review

Our review 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 Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the financial position of HSBC Bank A.Ş. at March 31, 2021 and the results of its operations and its cash flows for the three-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

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

Damla Harman
Partner, SMMM

May 11, 2021
İstanbul, Türkiye

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

**UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş.
AS OF AND FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021**

Address of Bank's Headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli
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The unconsolidated financial report for the three-month-period prepared in accordance with Communiqué on the Financial Statements and the Related Disclosures and Footnotes to be Publicly Announced as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

David Gordon Eldon
Chairman of the
Board

Süleyman Selim Kervancı
General
Manager

Burçin Ozan
Financial Reporting
Assistant General
Manager

Yerlioza Küll
Group Head

Robert Adrian Underwood
Head of
Audit Committee

Neslihan Erkazancı
Member of
Audit Committee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Elburuz İnceman/Senior Manager
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2021

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

It has been approved by the decision of the Council of Ministers dated June 27, 1990 and numbered 90/644 that HSBC Bank A.Ş. (“The Bank”) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated September 18, 1990. The 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 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 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 BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THAT THE BANK BELONGS TO

As of March 31, 2021, the Bank’s nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. Based on the approval of the Banking Regulation and Supervision Agency dated 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. As of March 31, 2021 there has been no changes regarding the Bank’s capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2021

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

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

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board:	David Gordon ELDON	Chairman	Undergraduate
Vice President of the Executive Board:	Didem ÇERÇİ (****)	Deputy Chairman	Undergraduate
Board of Directors:	Süleyman Selim KERVANCI	Member, CEO	Graduate
	Robert Adrian UNDERWOOD	Member	Undergraduate
	Ayşe Ebru DORMAN (****)	Member	Graduate
	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
	Dilek Güleç SALZBURG (***)	Global Banking	Undergraduate
	Caner IŞLAK (****)	Corporate Banking	Graduate
Audit Committee:	Didem ÇERÇİ (****)	Head of the Audit Committee	Undergraduate
	Robert Adrian UNDERWOOD	Member of the Audit Committee	Graduate
	Neslihan ERKAZANCI	Member of the Audit Committee	Undergraduate

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

(*)As of April 3, 2021 Martin François Christian TRICAUD has resigned from his position of Board of Directors and no appointment has been made yet.

(**)As of April 9, 2021 Fatoş Pınar Fadıllıoğlu has resigned from his position of Head of Corporate and no appointment has been made yet.

(***)As of March 12, 2021 Dilek Güleç Salzburg has been appointed position of Deputy Director General for Global Banking.

(****)As of March 12, 2021 Caner İşlak has been appointed position of Deputy Director General for Corporate Banking.

(*****)As of March 30, 2021 Mehmet Gani Sönmez and Hamit Aydoğan were resigned from their position of Member of Board. Ayşe Ebru Dorman and Didem Çerçi have been appointed as the Member of Board of Directors as of March 30, 2021.

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT MARCH 31, 2021

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

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

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

(*) The amounts are expressed in full TL.

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

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

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

In addition to regular banking operations in accordance to the articles of association, the Bank also provides insurance intermediary services as an agency of Axa Sigorta, Zurich Sigorta, Allianz Hayat ve Emeklilik, Allianz Sigorta, Gulf Sigorta, Euler Hermes and Anadolu Hayat Emeklilik, and Marsh Sigorta ve Reasürans Broker 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 March 31, 2021, the Bank has 77 branches dispersed throughout the country (December 31, 2020: 77 branches).

As of March 31, 2021, the number of employees of the Bank is 1.918 (December 31, 2020: 1.948).

VI. OTHER MATTERS

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

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

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

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

HSBC BANK A.Ş.

**UNCONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2021 AND DECEMBER 31, 2020
(STATEMENT OF FINANCIAL POSITION)**

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

**SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	Note (Section Five I)	Reviewed Current Period			Audited Prior Period		
		(31.03.2021)			(31.12.2020)		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. FINANCIAL ASSETS (NET)		9.068.680	15.248.036	24.316.716	7.983.669	9.853.168	17.836.837
1.1 Cash and Cash Equivalents		3.859.559	13.017.838	16.877.397	2.375.778	8.075.944	10.451.722
1.1.1 Cash and Balances with Central Bank	(I-a)	978.291	4.842.015	5.820.306	196.186	6.896.097	7.092.283
1.1.2 Banks	(I-c)	2.500	1.464.580	1.467.080	-	27.102	27.102
1.1.3 Money Market Placements		2.881.501	6.711.243	9.592.744	2.182.029	1.152.745	3.334.774
1.1.4 Expected Loss Provision (-)		2.733	-	2.733	2.437	-	2.437
1.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	1.274.404	24.147	1.298.551	184.042	165.340	349.382
1.2.1 Government Debt Securities		1.270.179	24.147	1.294.326	179.817	165.340	345.157
1.2.2 Equity Instruments		4.225	-	4.225	4.225	-	4.225
1.2.3 Other Financial Assets		-	-	-	-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-d)	3.706.688	-	3.706.688	5.014.925	-	5.014.925
1.3.1 Government Debt Securities		3.706.688	-	3.706.688	5.014.925	-	5.014.925
1.3.2 Equity Instruments		-	-	-	-	-	-
1.3.3 Other Financial Assets		-	-	-	-	-	-
1.4 Derivative Financial Assets	(I-b)	228.029	2.206.051	2.434.080	408.924	1.611.884	2.020.808
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		228.029	2.206.051	2.434.080	408.924	1.611.884	2.020.808
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		8.811.376	16.077.441	24.888.817	9.342.626	15.377.469	24.720.095
2.1 Loans	(I-e)	10.291.670	16.077.441	26.369.111	10.891.299	15.377.469	26.268.768
2.2 Lease Receivables	(I-j)	-	-	-	-	-	-
2.3 Factoring Receivables		115.035	-	115.035	59.847	-	59.847
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 (-)		1.595.329	-	1.595.329	1.608.520	-	1.608.520
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(I-p)	1.256	-	1.256	1.221	-	1,221
3.1 Held for Sale Purpose		1.256	-	1.256	1.221	-	1,221
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		34.973	-	34,973	34,973	-	34,973
4.1 Investments in Associates (Net)	(I-g)	-	-	-	-	-	-
4.1.1 Accounted Under Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(I-h)	34,973	-	34,973	34,973	-	34,973
4.2.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753	34.753	-	34.753
4.2.2 Unconsolidated 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 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	(I-l)	225.146	-	225.146	220.567	-	220.567
VI. INTANGIBLE ASSETS (Net)	(I-m)	183.193	-	183.193	181.703	-	181.703
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		183.193	-	183.193	181.703	-	181.703
VII. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		22.643	-	22,643	-	-	-
IX. DEFERRED TAX ASSET	(I-o)	208.989	-	208.989	256.259	-	256.259
X. OTHER ASSETS	(I-r)	207.126	22.519	229.645	177.259	52.854	230.113
TOTAL ASSETS		18.763.382	31.347.996	50.111.378	18.198.277	25.283.491	43.481.768

The accompanying explanations and notes set out on pages 13 to 81 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2021 AND DECEMBER 31, 2020
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Reviewed Current Period			Audited Prior Period		
		(31.03.2021)			(31.12.2020)		
		TL	FC	Total	TL	FC	Total
LIABILITIES							
I. DEPOSITS	(II-a)	12.131.584	25.908.374	38.039.958	8.577.632	22.412.626	30.990.258
II. FUNDS BORROWED	(II-d)	-	1.301.942	1.301.942	-	1.931.228	1.931.228
III. MONEY MARKET BALANCES	(II-c)	-	-	-	1.242.251	-	1.242.251
IV. MARKETABLE SECURITIES ISSUED (Net)		1.705.565	-	1.705.565	951.920	-	951.920
4.1 Bills		1.705.565	-	1.705.565	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)	190.819	1.891.826	2.082.645	374.618	1.508.553	1.883.171
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		190.819	1.891.826	2.082.645	374.618	1.508.553	1.883.171
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(II-f)	114.038	3.640	117.678	99.433	3.409	102.842
X. PROVISIONS	(II-h)	180.935	2.078	183.013	179.980	1.633	181.613
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		74.842	-	74.842	71.558	-	71.558
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		106.093	2.078	108.171	108.422	1.633	110.055
XI. CURRENT TAX LIABILITY	(II-i)	72.202	-	72.202	117.156	-	117.156
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)	-	1.743.070	1.743.070	-	1.652.797	1.652.797
14.1 Loans		-	1.743.070	1.743.070	-	1.652.797	1.652.797
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES	(II-e)	716.951	534.035	1.250.986	660.084	271.059	931.143
XVI. SHAREHOLDERS' EQUITY	(II-l)	3.614.319	-	3.614.319	3.497.389	-	3.497.389
16.1 Paid-in capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		310.888	-	310.888	272.693	-	272.693
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		310.888	-	310.888	272.693	-	272.693
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(17.623)	-	(17.623)	(20.479)	-	(20.479)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(97.366)	-	(97.366)	9.735	-	9.735
16.5 Profit Reserves		2.503.957	-	2.503.957	2.152.696	-	2.152.696
16.5.1 Legal Reserves		184.981	-	184.981	184.141	-	184.141
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		2.318.976	-	2.318.976	1.968.555	-	1.968.555
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit Or Loss		262.173	-	262.173	430.454	-	430.454
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		262.173	-	262.173	430.454	-	430.454
16.7 Minority Interest		-	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		18.726.413	31.384.965	50.111.378	15.700.463	27.781.305	43.481.768

The accompanying explanations and notes set out on pages 13 to 81 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF MARCH 31, 2021 AND DECEMBER 31, 2020**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed Current Period (31.03.2021)			Audited Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		31.990.018	112.887.356	144.877.374	31.467.662	120.835.229	152.302.891
I. GUARANTEES AND COLLATERALS	(III-a-2,3)	1.277.822	5.584.897	6.862.719	1.290.636	4.989.254	6.279.890
1.1 Letters of Guarantee		1.247.822	3.016.097	4.263.919	1.265.636	2.782.436	4.048.072
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		1.247.822	3.016.097	4.263.919	1.265.636	2.782.436	4.048.072
1.2 Bank Acceptances		-	-	-	-	-	-
1.2.1 Import Letter of Acceptance		-	701	701	-	412	412
1.2.2 Other Bank Acceptance		-	701	701	-	412	412
1.3 Letters of Credit		-	-	-	-	-	-
1.3.1 Documentary Letters of Credit		30.000	2.344.785	2.374.785	25.000	2.002.452	2.027.452
1.3.2 Other Letters of Credit		30.000	1.296.972	1.326.972	25.000	1.151.801	1.176.801
1.4 Prefinancing Given as Guarantee		-	1.047.815	1.047.815	-	850.651	850.651
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		-	223.314	223.314	-	203.954	203.954
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a-1)	7.892.815	14.003.066	21.895.881	6.589.498	12.199.301	18.788.799
2.1 Irrevocable Commitments		7.892.815	14.003.066	21.895.881	6.589.498	12.199.301	18.788.799
2.1.1 Forward Asset Purchase and Sale Commitments		3.741.423	14.002.320	17.743.743	2.515.099	12.198.628	14.713.727
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		243.979	-	243.979	188.459	-	188.459
2.1.5 Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Payment Commitment for Checks		15.572	-	15.572	15.531	-	15.531
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		3.330.666	-	3.330.666	3.308.035	-	3.308.035
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		19.519	-	19.519	18.102	-	18.102
2.1.11 Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		539.370	746	540.116	541.986	673	542.659
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	22.819.381	93.299.393	116.118.774	23.587.528	103.646.674	127.234.202
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		22.819.381	93.299.393	116.118.774	23.587.528	103.646.674	127.234.202
3.2.1 Forward Foreign Currency Buy/Sell Transactions		7.042.680	9.027.349	16.070.029	5.620.930	8.754.954	14.375.884
3.2.1.1 Forward Foreign Currency Transactions-Buy		4.961.171	3.128.375	8.089.546	3.745.276	3.555.430	7.300.706
3.2.1.2 Forward Foreign Currency Transactions-Sell		2.081.509	5.898.974	7.980.483	1.875.654	5.199.524	7.075.178
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		7.863.917	67.720.075	75.583.992	9.480.572	79.283.673	88.764.245
3.2.2.1 Foreign Currency Swap-Buy		2.162.699	21.337.908	23.500.607	2.600.667	28.493.327	31.093.994
3.2.2.2 Foreign Currency Swap-Sell		5.701.218	23.524.347	29.225.565	6.879.905	27.708.756	34.588.661
3.2.2.3 Interest Rate Swap-Buy		-	11.428.910	11.428.910	-	11.540.795	11.540.795
3.2.2.4 Interest Rate Swap-Sell		-	11.428.910	11.428.910	-	11.540.795	11.540.795
3.2.3 Foreign Currency, Interest Rate, and Securities Options		7.912.784	10.204.354	18.117.138	8.486.026	10.552.554	19.038.580
3.2.3.1 Foreign Currency Options-Buy		3.956.392	5.102.177	9.058.569	4.243.013	5.276.277	9.519.290
3.2.3.2 Foreign Currency Options-Sell		3.956.392	5.102.177	9.058.569	4.243.013	5.276.277	9.519.290
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		-	6.347.615	6.347.615	-	5.055.493	5.055.493
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		157.584.407	54.640.224	212.224.631	122.321.418	42.615.226	164.936.644
IV. ITEMS HELD IN CUSTODY		89.542.061	16.861.113	106.403.174	54.244.373	8.122.872	62.367.245
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		87.617.094	8.892.125	96.509.219	52.245.793	1.058.659	53.304.452
4.3 Checks Received for Collection		7.115	127.061	134.176	25.701	130.671	156.372
4.4 Commercial Notes Received for Collection		130.480	26.911	157.391	121.941	25.484	147.425
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1.787.372	7.815.016	9.602.388	1.850.938	6.908.058	8.758.996
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES ITEMS		65.728.557	23.431.658	89.160.215	65.783.256	21.641.484	87.424.740
5.1 Marketable Securities		75.541	1.216.853	1.292.394	27.146	1.103.651	1.130.797
5.2 Guarantee Notes		32.829	493.825	526.654	32.842	448.710	481.552
5.3 Commodity		570.742	1.047.021	1.617.763	571.021	983.044	1.554.065
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		3.123.474	10.896.080	14.019.554	3.240.747	9.834.339	13.075.086
5.6 Other Pledged Items		61.925.971	9.777.879	71.703.850	61.911.500	9.271.740	71.183.240
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS		2.313.789	14.347.453	16.661.242	2.293.789	12.850.870	15.144.659
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		189.574.425	167.527.580	357.102.005	153.789.080	163.450.455	317.239.535

The accompanying explanations and notes set out on pages 13 to 81 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD
ENDED MARCH 31, 2021 AND MARCH 31, 2020**

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

III. STATEMENT OF PROFIT OR LOSS		Reviewed		
		Note (Section Five IV)	Reviewed Current Period (01.01.2021 – 31.03.2021)	Reviewed Prior Period (01.01.2020 – 31.03.2020)
INCOME AND EXPENSE ITEMS				
I.	INTEREST INCOME	(IV-a)	841.367	517.828
1.1	Interest on Loans	(IV-a-1)	525.622	379.378
1.2	Interest Received from Reserve Deposits		11.039	-
1.3	Interest Received from Banks	(IV-a-2)	26.014	19.631
1.4	Interest Received from Money Market Transactions		83.796	58.104
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	194.540	59.345
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		26.920	24.641
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		167.620	34.704
1.5.3	Financial Assets at Measured at Amortized Cost		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		356	1.370
II.	INTEREST EXPENSE (-)	(IV-b)	401.902	219.683
2.1	Interest on Deposits	(IV-b-4)	294.144	167.493
2.2	Interest on Funds Borrowed	(IV-b-1)	29.929	22.546
2.3	Interest on Money Market Transactions		28.043	13.715
2.4	Interest on Securities Issued	(IV-b-3)	43.418	-
2.5	Interest on Lease Payables		5.766	3.158
2.6	Other Interest Expenses		602	12.771
III.	NET INTEREST INCOME/EXPENSE (I - II)		439.465	298.145
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		94.260	89.661
4.1	Fees and Commissions Received		108.114	101.748
4.1.1	Non-Cash Loans		26.915	18.602
4.1.2	Other	(IV-l)	81.199	83.146
4.2	Fees and Commissions Paid (-)		13.854	12.087
4.2.1	Non-Cash Loans		193	197
4.2.2	Other		13.661	11.890
V.	DIVIDEND INCOME	(IV-c)	32.824	25.196
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	68.765	159.600
7.1	Trading Gains/(Losses) on Securities		(9.098)	33.355
7.2	Derivative Financial Transactions Gains/(Losses)		218.510	606.231
7.3	Foreign Exchange Gains/(Losses)		(140.647)	(479.986)
VII.	OTHER OPERATING INCOME	(IV-e)	103.171	41.657
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		738.485	614.259
IX.	PROVISION FOR LOAN LOSSES (-)	(IV-f)	41.520	108.751
X.	OTHER PROVISION EXPENSES (-)		9.388	5.438
XI.	PERSONNEL EXPENSES (-)		147.685	125.362
XII.	OTHER OPERATING EXPENSES (-)	(IV-g)	214.392	174.668
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		325.500	200.040
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)		325.500	200.040
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-i)	(63.327)	(36.159)
18.1	Current Tax Provision		(17.001)	(75.030)
18.2	Deferred Tax Income Effect (+)		(46.326)	-
18.3	Deferred Tax Expense Effect (-)		-	38.871
XIX.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)	(IV-j)	262.173	163.881
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)		-	-
	Earnings/Loss per Share	(IV-k)	262.173	163.881
			0,004019	0,002512

The accompanying explanations and notes set out on pages 13 to 81 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AS OF MARCH 31, 2021 AND MARCH 31, 2020**

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Reviewed Current Period (31.03.2021)	Reviewed Prior Period (31.03.2020)
I. CURRENT PERIOD INCOME/LOSS	262.173	163.881
II. OTHER COMPREHENSIVE INCOME	(104.245)	(9.527)
2.1 Not Reclassified Through Profit or Loss	2.856	5.908
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	3.798	7.451
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	(942)	(1.543)
2.2 Reclassified Through Profit or Loss	(107.101)	(15.435)
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	(132.545)	(18.673)
2.2.3 Cash Flow Hedge Income/Loss	-	(498)
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	25.444	3.736
III. TOTAL COMPREHENSIVE INCOME (I+II)	157.928	154.354

The accompanying explanations and notes set out on pages 13 to 81 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED MARCH 31, 2020

(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							
Reviewed Prior Period March 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	Total Equity
I. Balances at the Beginning of the Period - December 31, 2019		652.290	-	-	272.693	-	(24.410)	-	-	26.011	388	1.682.765	-	469.931	3.079.668	3.079.668
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	-	(24.410)	-	-	26.011	388	1.682.765	-	469.931	3.079.668	3.079.668
IV. Total Comprehensive Income		-	-	-	-	-	5.908	-	-	(15.047)	(388)	-	-	163.881	154.354	154.354
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		-	-	-	-	-	-	-	-	-	-	469.931	-	(469.931)	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	469.931	-	(469.931)	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		652.290	-	-	272.693	-	(18.502)	-	-	10.964	-	2.152.696	-	163.881	3.234.022	3.234.022

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

The accompanying explanations and notes set out on pages 13 to 81 form an integral part of these financial statements.

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HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED MARCH 31, 2021

(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							
Reviewed Current Period March 31, 2021	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	Total Equity
I. Balances at the Beginning of the Period - December 31, 2020		652.290	-	-	272.693	-	(20.479)	-	-	9.735	-	2.152.696	-	430.454	3.497.389	3.497.389
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	-	(20.479)	-	-	9.735	-	2.152.696	-	430.454	3.497.389	3.497.389
IV. Total Comprehensive Income		-	-	-	-	-	2.856	-	-	(107.101)	-	-	-	262.173	157.928	157.928
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		-	-	-	38.195	-	-	-	-	-	-	351.261	-	(430.454)	(40.998)	(40.998)
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	(40.998)	-	-	(40.998)	(40.998)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	430.454	-	(430.454)	-	-
11.3 Other		-	-	-	38.195	-	-	-	-	-	-	(38.195)	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		652.290	-	-	310.888	-	(17.623)	-	-	(97.366)	-	2.503.957	-	262.173	3.614.319	3.614.319

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

The accompanying explanations and notes set out on pages 13 to 81 form an integral part of these financial statements

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HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED MARCH 31, 2021 AND MARCH 31, 2020

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

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Reviewed Current Period (31.03.2021)	Reviewed Prior Period (31.03.2020)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(VI-a)	238.108	511.877
1.1.1 Interest Received	(VI-a)	829.469	526.556
1.1.2 Interest Paid	(VI-a)	(407.357)	(307.626)
1.1.3 Dividend Received		-	-
1.1.4 Fees and Commissions Received		73.270	74.115
1.1.5 Other Income		55.074	40.566
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		19.659	26.261
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(185.756)	(184.115)
1.1.8 Taxes Paid		(54.096)	(52.509)
1.1.9 Other		(92.155)	388.629
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations		4.243.820	483.723
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(939.299)	182.270
1.2.2 Net Decrease in Due From Banks		(735.419)	(554.435)
1.2.3 Net (Increase) in Loans		(173.714)	(1.335.070)
1.2.4 Net (Increase) in Other Assets		303.121	22.137
1.2.5 Net Increase in Bank Deposits		(152.731)	388.286
1.2.6 Net Increase/(Decrease) in Other Deposits		7.170.916	1.888.531
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net (Decrease) in Funds Borrowed		76.498	(28.544)
1.2.9 Net Increase/(Decrease) in Matured Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(VI-a)	(1.305.552)	(79.452)
I. Net Cash Provided From Banking Operations		4.481.928	995.600
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From Investing Activities		1.176.481	(410.752)
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		(12.444)	(9.184)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		26.268	-
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(243.597)	(731.009)
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		1.422.033	344.420
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		(15.779)	(14.979)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From Financing Activities		(118)	(31.181)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		710.228	-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		(705.190)	-
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Lease Liabilities		(5.156)	(31.181)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(VI-a)	31.965	33.987
V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		5.690.256	587.654
VI. Cash and Cash Equivalents at Beginning of the Period	(VI-d)	6.921.426	11.880.540
VII. Cash and Cash Equivalents at End of the Period	(VI-d)	12.611.682	12.468.194

The accompanying explanations and notes set out on pages 13 to 81 form an integral part of these financial statements.

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The Bank prepared the accompanying unconsolidated financial statements within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 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 unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated June 28, 2012, and amendments to this Communiqué dated February 1, 2019 which include Turkish Accounting Standard principles.

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

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

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2020 except new regulations specified in Notes VIII.

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

The coronavirus epidemic which 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.

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I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

Since it is aimed to update the most recent financial information in the financial statements prepared as of March 31, 2021, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in footnote numbered VIII “Explanations on Expected Provisions for Losses”. At the each quarter periods, the Bank will update its relevant assumptions as necessary and revise the realizations of past estimates.

Changes in Accounting policies and disclosures

New and revised TAS/IFRS effective for annual periods beginning on or after January 1, 2020 have no material effect on the financial statements, financial performance and on the Bank’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 Bank’s accounting policies.

Within the scope of the Major Indicator Interest Rates Reform, reference interest rates will be converted as of the beginning of 2021, and new alternative interest rates will be used instead of the current benchmark interest rates, especially Libor. In addition to floating rate assets such as securities indexed to benchmark interest rates and loans, Bank’s financial statements include liabilities such as securities issued, borrowed loans and derivative transactions, and off-balance sheet instruments. While the assessment and adaptation studies of the impacts of the said reform change are continuing, the developments are monitored by us.

Explanation for convenience translation into English:

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

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

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

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

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

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.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Bank has no investments in associates as of March 31, 2021. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard for Individual Financial Instruments” (“TAS 27”) in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiary of the Bank is HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. (HSBC Ödeme Sistemleri). 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.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

When applying the effective interest method, The Bank amortized any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument.

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V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES (Continued)

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 Bank categorizes its financial assets as fair value through profit/loss, fair value through other comprehensive income or measured at amortized cost. Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated January 19, 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

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

Classification and measurement of financial instruments

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

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

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

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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

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

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.

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c. Financial Assets Measured in Amortized Cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition, they are carried at "Amortized Cost" using the "effective interest method". As of March 31, 2021 and December 31, 2020, the Bank has no marketable securities measured at amortized cost.

d. Loans:

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

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

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES

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

As of January 1, 2019, the Bank recognizes a loss allowance for credit losses based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with "Procedures and Principles 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 March 17, 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 June 30, 2021. 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 Bank's financial statements.

The 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.

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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 macroeconomic 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 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 rating grades, 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 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 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.

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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 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.

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 March 31, 2021, the Bank calculated the expected credit loss by taking into macroeconomic forecasts for the future, as well as statistical models designed to comply with relevant legislation and accounting standards. In this context, 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 macroeconomic expectations used in the calculation of expected credit loss and revised the scenario weights within this scope. In this context the 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 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.

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

Significant Increase in Credit Risk

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

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

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

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watch-list
- When there is a change in the payment plan
- 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 June 30, 2021 and provisions for the loans that continue to be classified as Stage 1 up to 90 days. The banks will continue according to their own risk models used in calculating expected credit losses under TFRS 9.

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IX. DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

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IX. DERECOGNITION OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

- The loan, which is restructured in the process of performing-private restructuring loans (need-vehicle-housing), is considered as close monitoring and is followed in close monitoring at the time of restructured loan period.
- 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 Bank has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis.

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

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

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

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

As of March 31, 2021 and December 31, 2020, the Bank has no discontinued operations.

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XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank’s intangible assets are composed of software, goodwill and establishment expenditures. Intangible assets are measured in accordance with “Intangible Assets Standard” (“TAS 38”) at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical cost after the deduction of accumulated depreciation and the provision for value decreases. The depreciable amount of an intangible asset is allocated on a systematic basis over its useful life. The costs of the intangible assets purchased before 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 March 31, 2021, there is no net book value of goodwill (December 31, 2020: 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 Bank recognized assets held under finance leases on the basis of the lower of its fair value and the present value of the lease payments. Fixed assets acquired under finance lease contracts are classified in tangible assets and amortized over their estimated useful lives. Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a “Provision for value decrease” is recognized. Liabilities arising from the leasing transactions are included in “Financial lease payables” in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are presented the income statement. The Bank does not provide finance lease services as a “Lessor”.

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

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XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

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 bank 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 Bank upon application of TFRS 16:

Right of use assets

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

The right use includes the presence of:

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

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

Lease Liabilities

The Bank measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

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

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

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

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

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

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

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**XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)
Short-term leases and leases of low-value assets**

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

Due to the Bank’s implementation of TFRS 16, assets classified under tangible assets as of March 31, 2021 amounted to TL 188.095 (December 31, 2020: TL 181.341), lease liability amounted to TL 117.678 (December 31, 2020: TL 102.842), depreciation expense amounted to TL 10.297 (March 31, 2020: TL 11.297) and interest expense amounted to TL 5.766 (March 31, 2020: TL 3.158).

XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions and contingent liabilities are accounted in accordance with, “Provisions, Contingent Liabilities and Contingent Assets Standard” (“TAS 37”). Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

XVIII. EXPLANATIONS ON CONTINGENT ASSETS

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

XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 5,16% (December 31, 2020: 3,82%).

As of March 31, 2021, actuarial loss amounted to TL 17.623 (December 31, 2020: TL 20.479 loss) is recognized under other income reserves in the financial statements.

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

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XX. EXPLANATIONS ON TAXATION

a. Current Tax:

According to the article no. 32 and Law No. 5520 which is “Corporate Tax Law” was published in the Official Gazette, No. 26205 dated June 21, 2006, the corporate tax rate is 20%. However, according to Law No: 31462 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” which article of 11 and 14 published in the Official Gazette dated April 22, 2021, and corporate tax rate applies as 25% for the starting the declarations to be issued from July 1, 2021 and started tax period for corporate tax from January 1, 2021, also corporate tax rate will reorganized for 23% for the accounting period for 2022. The rate to be applied in the first temporary tax period is 20% for the earnings of the 2021 and it will be 25% for second temporary tax period. The corporate tax rate is applied to the tax base to be found as a result of adding the non-deductible expenses to the commercial earnings of the corporations, and deducting the exemptions (such as participation income exemption) in the tax laws. No further tax is paid if the profit is not distributed.

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.

b. Deferred Tax Asset/Liability:

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

In accordance with the Law No.7316 published in the Official Gazette dated April 22, 2021, starting from the declarations that must be submitted as of July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, the corporate tax rate is 25% for the taxation period of 2021 and this rate will be applied as 23% for the taxation period of 2022. The impact of the change in the corporate tax rate is insignificant as of March 31, 2021.

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XX. EXPLANATIONS ON TAXATION (Continued)

b. Deferred Tax Asset/Liability (Continued)

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 March 31, 2021, the Bank has recognized deferred tax receivables amounting to TL 208.989 as assets (December 31, 2020: Deferred tax receivables amounting to TL TL 256.259 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. 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. Bank 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 unconsolidated financial statements enclosed, foreign currency borrowings are translated according to the Bank’s period end exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognized in the financial statements. Also the Bank provides resources through the bond issue. As of March 31, 2021 and December 31, 2020, the Bank has no convertible bonds.

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of March 31, 2021 and December 31, 2020, the Bank has no issued share certificates.

XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of March 31, 2021 and December 31, 2020, the Bank has no government incentives.

XXV. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

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XXVI. PROFIT RESERVES AND PROFIT DISTRIBUTION

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code (“TCC”), the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserves is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However, holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

XXVII. 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 March 31, 2021	Prior Period March 31, 2020
Net Earnings/(Loss)for the Period	262.173	163.881
Number of Shares	65.229.000.000	65.229.000.000
Earnings/(Loss) per Share (*)	0,004019	0,002512

(*) Amounts are expressed in full TL.

XXVI. 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.

XXIX. RELATED PARTIES

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

XXX. RECLASSIFICATIONS

None.

XXXI. OTHER MATTERS

None.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY

Equity and Capital Adequacy Standard Ratio of the Bank is calculated in accordance with “Communiqué on Measurement and Assessment of Capital Adequacy of Banks”, and “Communiqué on Equities of Banks”. As of March 31, 2021, equity of the Bank is amounting to TL 4.941.517 and the Bank’s capital adequacy ratio is 15,54%. As of December 31, 2020, equity of the Bank is amounting to TL 5.123.764 and the Banks’s capital adequacy ratio is 16,87%. Capital adequacy ratio of the Bank is higher than the minimum rate required by the related regulation.

a. Information about shareholders’ equity items:

	Current Period March 31, 2021	Prior Period December 31, 2020
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	652.290
Share Premium	-	-
Reserves	2.814.845	2.425.389
Other Comprehensive Income according to TAS	(97.366)	9.735
Profit	262.173	430.454
Current Period Profit	262.173	430.454
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	3.631.942	3.517.868
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	17.623	20.479
Leasehold Improvements on Operational Leases	27.666	30.488
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	183.193	181.703
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	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses from changes in bank’s liabilities’ fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier I Capital according to second paragraph of the provisional article 2 in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued common share capital of the entity	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	-
Total Deductions from Common Equity Tier I Capital	228.482	232.670
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	202.286	303.430
Total Common Equity Tier I Capital	3.605.746	3.588.628

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	Current Period March 31, 2021	Prior Period December 31, 2020
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 BRS A	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRS A (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRS A (-)	-	-
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)	3.605.746	3.588.628
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRS A	1.037.314	1.247.686
Debt Instruments and the Related Issuance Premiums Defined by the BRS A (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	331.323	324.722
Total Deductions from Tier II Capital	1.368.637	1.572.408
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRS A (-)	258	226
Total Deductions from Tier II Capital	258	226
Total Tier II Capital	1.368.379	1.572.182
Total Equity (Total Tier I and Tier II Capital)	4.974.125	5.160.810
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	32.608	37.046
Other items to be Defined by the BRS A	-	-
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-

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

	Current Period March 31, 2021	Prior Period December 31, 2020
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.941.517	5.123.764
Total Risk Weighted Assets	31.802.381	30.376.441
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	11,34	11,81
Tier I Capital Ratio (%)	11,34	11,81
Capital Adequacy Ratio (%)	15,54	16,87
BUFFERS		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,51	2,51
a) Capital Conservation Buffer Ratio (%)	2,50	2,50
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,01	0,01
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 (%)	2,83	3,30
Amounts Lower Than Excesses as per the Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	1.173.168	1.157.925
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	331.323	324.722
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	-	-

In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before June 30, 2021 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.

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

b. Items included in capital calculation:

Information about instruments that will be included in total capital calculation:	
Details on Subordinated Liabilities:	
Issuer	HSBC HOLDINGS PLC
Identifier(s) (CUSIP, ISIN vb.)	Subordinated Loans
Governing law (s) of the instrument	BRSA
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Not Deducted
Eligible on unconsolidated and /or consolidated basis	Eligible
Instrument type	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.037
Nominal value of instrument	1.729
Accounting classification of the instrument	Liability –Subordinated Loan
Issuance date of instrument	28.01.2015
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	According to written approval of the BRSA, it can be fully repaid in the 5th year of the loan.
Subsequent call dates, if applicable	None
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	LIBOR + 4,48%
Existence of any dividend payment restriction	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible into equity shares	
	In case of the possibility of cancelling the Bank’s operational permit or transferring to the Fund; The principal amount and interest payment liabilities of the loan may be terminated in whole or in part in accordance with the decision of the Board in this direction or it may be converted into capital by complying with the required legislation.
If convertible, conversion trigger (s)	
If convertible, fully or partially	Fully convertible
	The conversion rate / value shall be calculated based on the market data in the case of the exercise of the right.
If convertible, conversion rate	
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	
If bonds can be written-down, write-down trigger(s)	-
If bond can be written-down, full or partial	-
If bond can be written-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	After borrowing, before additional capital, same as other contribution capital
In compliance with article number 7 and 8 of " Own fund regulation "	In compliance with the requirements of Article 7 and 8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of " Own fund regulation"	In compliance with the requirements of Article 7 and 8 of "Own fund regulation"

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

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

EQUITY ITEMS	T	T-1	T-2
Common Equity	3.605.746	3.504.603	3.403.460
Transition process not implemented Common Equity	3.403.460	3.403.460	3.403.460
Tier 1 Capital	3.605.746	3.504.603	3.403.460
Transition process not implemented Tier 1 Capital	3.403.460	3.403.460	3.403.460
Total Capital	4.941.517	4.840.374	4.739.231
Transition process not implemented Equity	4.739.231	4.739.231	4.739.231
TOTAL RISK WEIGHTED AMOUNTS			
Total Risk Weighted Amounts	31.802.381	31.802.381	31.802.381
Capital Adequacy Ratio			
Common Equity	11,34	11,02	10,70
Transition process not implemented Common Equity Ratio (%)	10,70	10,70	10,70
Tier 1 Capital	11,34	11,02	10,70
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	10,70	10,70	10,70
Capital	15,54	15,22	14,90
Transition process not implemented Capital Adequacy Ratio (%)	14,90	14,90	14,90
LEVERAGE			
Leverage Ratio Total Risk Amount	67.940.580	67.940.580	67.940.580
Leverage (%)	5,31	5,16	5,01
Transition process not implemented Leverage Ratio (%)	5,01	5,01	5,01

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

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

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

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

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

As of January 1, 2019, the Bank 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 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".

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II. EXPLANATIONS ON CREDIT RISK

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

III. EXPLANATIONS ON COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION

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

IV. EXPLANATIONS ON CURRENCY RISK

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

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

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

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

c. Management policy for foreign currency risk:

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

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

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

Current Period –March 31, 2021	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	8,2327	9,6697
Prior Balance Sheet Date		
March 30, 2021	8,3217	9,7610
March 29, 2021	8,1821	9,6364
March 26, 2021	8,0441	9,4856
March 25, 2021	7,9434	9,3665
March 24, 2021	7,9149	9,3610
Prior 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

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IV. EXPLANATIONS ON CURRENCY RISK (Continued)

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

As of March 2021, the Bank’s simple arithmetic average foreign exchange rate for USD is TL 7,6589 (December 2020: TL 7,7069) and exchange rate for Euro is TL 9,1055 (December 2020: TL 9,3823).

f. Information related to Bank’s currency risk:

Current Period –March 31, 2021	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	1.222.857	1.989.856	1.629.302	4.842.015
Banks	182.679	1.274.842	7.059	1.464.580
Financial Assets at Fair Value through Profit or Loss (Net) (***)	677.134	1.522.274	30.790	2.230.198
Interbank Money Market Placements	-	6.711.243	-	6.711.243
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	8.996.033	7.077.501	11.535	16.085.069
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	3.659	18.736	124	22.519
Total Assets	11.082.362	18.594.452	1.678.810	31.355.624
Liabilities				
Bank Deposits	9	22	-	31
Foreign Currency Deposits	4.765.770	13.706.655	7.435.918	25.908.343
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	487.316	2.557.696	-	3.045.012
Marketable Securities Issued (Net)	-	-	-	-
Miscellaneous Payables	10.505	409.425	22.205	442.135
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	530.801	1.446.735	11.908	1.989.444
Total Liabilities	5.794.401	18.120.533	7.470.031	31.384.965
Net on Balance Sheet Position (****)	5.287.961	473.919	(5.791.221)	(29.341)
Net Off-Balance Sheet Position (****)	(4.832.996)	68.253	5.788.106	1.023.363
Financial Derivative Assets	9.852.664	22.896.995	9.968.502	42.718.161
Financial Derivative Liabilities	14.685.660	22.828.742	4.180.396	41.694.798
Non-cash Loans	1.523.137	3.534.014	527.746	5.584.897
Prior Period –December 31, 2020				
Total Assets	12.893.581	11.028.732	1.369.500	25.291.813
Total Liabilities	4.838.088	16.769.284	6.173.933	27.781.305
Net on-Balance Sheet Position	8.055.493	(5.740.552)	(4.804.433)	(2.489.492)
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	1.403.138	3.101.839	484.277	4.989.254

(*) As of March 31, 2021, total loans amount consists foreign indexed loans amounting to TL 7.628 (December 31, 2020: TL 8.322).

(**) As of March 31, 2021, Other liabilities consists derivative financial liabilities amounting to TL 1.891.826 (December 31, 2020: TL 1.508.553).

(***) As of March 31, 2021, financial assets at fair value through profit or loss consists derivative financial assets amounting to TL 2.206.051 (December 31, 2020: TL 1.611.884).

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

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V. EXPLANATIONS ON INTEREST RATE RISK

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

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

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

Current Period – March 31, 2021	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 (*)	4.099.102	-	-	-	-	1.720.355	5.819.457
Banks (**)	1.397.890	-	-	-	-	69.180	1.467.070
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	792.635	397.348	1.020.165	1.417.509	100.749	4.225	3.732.631
Interbank Money Market Placements	9.590.870	-	-	-	-	-	9.590.870
Financial Assets at Fair Value Through Other Comprehensive Income	21.048	-	885.090	2.618.431	182.119	-	3.706.688
Loans	8.334.982	4.222.039	10.649.298	1.293.959	235.611	152.928	24.888.817
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.020	-	11	26.323	-	878.491	905.845
Total Assets	24.237.547	4.619.387	12.554.564	5.356.222	518.479	2.825.179	50.111.378
Liabilities							
Bank Deposits	268.898	-	-	-	-	239.395	508.293
Other Deposits	17.015.526	3.935.123	1.452.990	54.050	-	15.073.976	37.531.665
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	903.968	903.968
Marketable Securities Issued (Net)	-	1.705.565	-	-	-	-	1.705.565
Funds Borrowed	620.230	483.573	1.934.568	-	-	6.641	3.045.012
Other Liabilities (***) (***)	219.677	257.188	612.470	1.589.130	49.247	3.689.163	6.416.875
Total Liabilities	18.124.331	6.381.449	4.000.028	1.643.180	49.247	19.913.143	50.111.378
Balance Sheet Long Position	6.113.216	-	8.554.536	3.713.042	469.232	-	18.850.026
Balance Sheet Short Position	-	(1.762.062)	-	-	-	(17.087.964)	(18.850.026)
Off-Balance Sheet Long Position	-	73.993	118.059	-	-	-	192.052
Off-Balance Sheet Short Position	(120.654)	-	-	(9.213)	-	-	(129.867)
Total Position	5.992.562	(1.688.069)	8.672.595	3.703.829	469.232	(17.087.964)	62.185

(*) 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 2.733.

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

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

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V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period –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 (**)	-	-	-	-	-	27.093	27.093
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	324.697	524.241	426.578	361.959	728.490	4.225	2.370.190
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	3.864.797	4.745.879	8.716.915	6.260.141	988.494	143.869	24.720.095
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	924	-	43	32.317	-	891.552	924.836
Total Assets	13.653.102	5.270.120	9.489.814	11.192.452	1.847.596	2.028.684	43.481.768
Liabilities							
Bank Deposits	497.127	-	-	-	-	163.952	661.079
Other Deposits	12.982.893	2.686.565	261.284	1.515	-	14.396.922	30.329.179
Funds from Interbank Money Market	1.242.251	-	-	-	-	-	1.242.251
Miscellaneous Payables	-	-	-	-	-	603.757	603.757
Marketable Securities Issued (Net)	-	-	951.920	-	-	-	951.920
Funds Borrowed	2.212.461	1.199.809	171.755	-	-	-	3.584.025
Other Liabilities (***)	309.087	462.084	540.915	607.884	620.640	3.568.947	6.109.557
Total Liabilities	17.243.819	4.348.458	1.925.874	609.399	620.640	18.733.578	43.481.768
Balance Sheet Long Position	-	921.662	7.563.940	10.583.053	1.226.956	-	20.295.611
Balance Sheet Short Position	(3.590.717)	-	-	-	-	(16.704.894)	(20.295.611)
Off-Balance Sheet Long Position	-	-	172.291	-	-	-	172.291
Off-Balance Sheet Short Position	(602.601)	(22.845)	-	(14.500)	-	-	(639.946)
Total Position	(4.193.318)	898.817	7.736.231	10.568.553	1.226.956	(16.704.894)	(467.655)

(*) 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 –March 31, 2021	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	-	-	-	13,50
Banks	0,01	0,04	-	20,00
Financial Assets at Fair Value Through Profit or Loss (Net)	4,77	6,25	-	18,94
Interbank Money Market Placements	-	0,01	-	19,02
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	17,37
Loans	3,59	3,93	-	16,95
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	14,30
Other Deposits	0,10	0,69	-	16,40
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	17,16
Funds Provided from Other Financial Institutions	2,25	4,04	-	-

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V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior 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	-	14,27
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
Investments Held-to-Maturity	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	11,56
Other Deposits	0,07	0,38	-	12,83
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	-	-

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

Position risk of equity securities in banking book:

As of March 31, 2021, the Bank has no financial assets that would cause a significant effect on its equity securities position (December 31, 2020: None).

VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

Strategic funding plan forms up the primary basis of the liquidity and funding risk management, updated at least in annual basis and formed up within the scope of risk appetite. According to the strategic funding plan approved by ALCO, actions are considered in order to provide the most cost-efficient, diversified and stable funding resources in terms of maturity, currency and funding resource to monitor and evaluate balance sheet movements and projections and the current status of the balance sheet by ALCM.

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

In addition, current and planned liquidity positions of bank is tracked at tactical ALCO meetings with the participation of business representatives at least on weekly basis and business line representatives are informed if necessary actions are to be taken. The aim of these meetings is to ensure prevention of negative net cash flow of the bank liquidity and prevention exceeding limits by comparing the current situation regarding to the balance sheet structure of business line with the approved limit usage of strategic funding plans and liquidity.

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

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

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

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

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

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

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

Information on liquidity risk mitigation techniques:

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

Explanation of the usage of stress test:

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

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

General Information on liquidity emergency and contingency plans:

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

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the 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 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, restructuring 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.

Explanation regarding the components of high quality liquid assets:

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

Components density of fund resources in all funds:

The Bank’s founding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for founding consists 76% of total liabilities.

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

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.

Current Period – 31.03.2021	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			12.642.766	7.121.346
Cash Outflows				
Real person and retail deposits	21.498.879	16.221.007	2.061.164	1.622.101
Stable deposits	1.774.483	-	88.724	-
Less stable deposits	19.724.396	16.221.007	1.972.440	1.622.101
Unsecured debts other than real person and retail deposits	9.506.456	5.611.495	4.628.950	2.458.434
Operational deposits	-	-	-	-
Non-operational deposits	8.993.622	5.581.072	4.116.116	2.428.011
Other unsecured debts	512.834	30.423	512.834	30.423
Secured debts	-	-	-	-
Other cash outflows	1.178.401	2.807.406	1.178.401	2.807.406
Derivative liabilities and collateral completion liabilities	1.178.401	2.807.406	1.178.401	2.807.406
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	9.243.754	4.128.921	1.123.358	741.865
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS	-	-	8.991.873	7.629.806
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.174.346	2.269.503	3.023.215	1.763.596
Other cash inflows	115.907	3.512.796	115.907	3.512.796
TOTAL CASH INFLOWS	4.290.253	5.782.299	3.139.122	5.276.392
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			12.642.766	7.121.346
TOTAL NET CASH OUTFLOWS			5.852.751	2.353.414
LIQUIDITY COVERAGE RATIO (%)			216,01	302,60

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

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

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

	Current Period - 31.03.2021			
	TL+FC		FC	
Highest (%)	339,91		435,66	
Date	12.03.2021		26.03.2021	
Lowest (%)	157,98		166,10	
Date	15.01.2021		29.01.2021	
Average (%)	216,01		302,60	
	Total value to which the consideration ratio is not applied ^(*)		Total value to which the consideration ratio is applied ^(*)	
Prior Period – 31.12.2020	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			10.196.288	6.850.504
Cash Outflows				
Real person and retail deposits	22.267.952	17.750.849	2.140.542	1.775.085
Stable deposits	1.725.061	-	86.253	-
Less stable deposits	20.542.891	17.750.849	2.054.289	1.775.085
Unsecured debts other than real person and retail deposits	10.212.546	5.521.404	4.946.039	2.303.976
Operational deposits	-	-	-	-
Non-operational deposits	9.703.773	5.494.925	4.437.266	2.277.497
Other unsecured debts	508.773	26.479	508.773	26.479
Secured debts	-	-	-	-
Other cash outflows	1.209.608	3.233.017	1.209.608	3.233.017
Derivative liabilities and collateral completion liabilities	1.209.608	3.233.017	1.209.608	3.233.017
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	9.971.580	4.577.309	1.222.027	827.843
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			9.518.216	8.139.921
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.358.359	2.752.907	3.691.964	2.515.106
Other cash inflows	213.013	4.275.808	213.013	4.275.808
TOTAL CASH INFLOWS	4.571.372	7.028.715	3.904.977	6.790.914
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			Values to which the upper limit is applied	
TOTAL NET CASH OUTFLOWS			10.196.288	6.850.504
LIQUIDITY COVERAGE RATIO (%)			5.613.239	2.034.980
HIGH QUALITY LIQUID ASSETS			181,65	336,64

(*) 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 2020.

	Prior Period - 31.12.2020	
	TL+FC	FC
Highest (%)	298,84	429,62
Date	23.11.2020	17.11.2020
Lowest (%)	151,50	178,23
Date	17.12.2020	12.10.2020
Average (%)	181,65	336,64

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

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

Current Period - March 31, 2021	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 ^(****)	1.720.335	4.099.102	-	-	-	-	-	5.819.457
Banks ^(****)	69.180	1.397.890	-	-	-	-	-	1.467.070
Financial Assets at Fair Value through Profit or Loss (Net) ^(****)	-	729.404	302.797	910.811	1.661.996	123.398	4.225	3.732.631
Interbank Money Market Placements ^(****)	-	9.590.870	-	-	-	-	-	9.590.870
Financial Assets at Fair Value through Other Comprehensive Income	-	21.048	-	885.090	2.618.431	182.119	-	3.706.688
Assets	-	5.172.447	2.521.831	9.600.106	6.478.508	962.997	152.928	24.888.817
Loans	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets ^(*)	-	1.020	-	11	26.323	-	878.491	905.845
Total Assets	1.789.535	21.011.781	2.824.628	11.396.018	10.785.258	1.268.514	1.035.644	50.111.378
Liabilities								
Bank Deposits	239.395	268.898	-	-	-	-	-	508.293
Other Deposits	15.073.976	17.015.526	3.935.123	1.452.990	54.050	-	-	37.531.665
Funds from Interbank Money Market	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	903.968	903.968
Marketable Securities Issued (Net)	-	-	1.705.565	-	-	-	-	1.705.565
Funds Borrowed	6.641	-	-	1.295.301	1.743.070	-	-	3.045.012
Other Liabilities ^(**) ^(***)	-	179.766	214.325	542.543	1.741.831	49.247	3.689.163	6.416.875
Total Liabilities	15.320.012	17.464.190	5.855.013	3.290.834	3.538.951	49.247	4.593.131	50.111.378
Net Liquidity Excess / (Gap)	(13.530.477)	3.547.591	(3.030.385)	8.105.184	7.246.307	1.219.267	(3.557.487)	-
Net Off Balance Sheet Position								
Derivative Financial Assets	-	(119.921)	47.049	118.060	16.997	-	-	62.185
Derivative Financial Liabilities	-	33.188.624	4.821.420	8.186.326	18.351.779	1.246.913	-	65.795.062
Non-cash Loans	5.611.418	62.574	281.634	868.279	38.134	680	-	6.862.719
Prior Period – December 31, 2020								
Total Assets	989.038	12.535.335	4.448.700	10.751.430	11.662.908	2.054.710	1.039.647	43.481.768
Total Liabilities	14.560.874	14.963.794	3.677.521	2.928.475	2.375.923	802.477	4.172.704	43.481.768
Net Liquidity Excess / (Gap)	(13.571.836)	(2.428.459)	771.179	7.822.955	9.286.985	1.252.233	(3.133.057)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(605.147)	(36.195)	170.872	2.815	-	-	(467.655)
Derivative Financial Liabilities	-	35.757.031	7.566.225	8.267.709	11.014.865	6.906.647	-	69.512.477
Non-cash Loans	5.041.878	36.362.178	7.602.420	8.096.837	11.012.050	6.906.647	-	69.980.132
		103.215	282.423	810.991	40.768	615	-	6.279.890

(*) 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 2.733.

c. Information on securitization positions:

None.

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VIII. EXPLANATIONS ON LEVERAGE RATIO

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

	Current Period	Prior Period
	31.03.2021 ^(*)	31.12.2020 ^(*)
Assets On the Balance Sheet		
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	39.569.479	44.748.350
2 (Assets deducted from core capital)	(209.950)	(210.210)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	39.359.529	44.538.140
Derivative Financial Instruments and Loan Derivatives		
4 Renewal cost of derivative financial instruments and loan derivatives	285.913	884.240
5 Potential credit risk amount of derivative financial instruments and loan derivatives	670.844	345.254
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	956.757	1.229.494
Financing Transactions with Securities or Goods Warranties		
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	85.470	73.322
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)	85.470	73.322
Off-the-Balance Sheet Transactions		
10 Gross nominal amount of the off-the-balance sheet transactions	27.538.824	21.956.968
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)	27.538.824	21.956.968
Capital and Total Risk		
13 Core capital	3.600.933	3.535.531
14 Total risk amount (sum of lines 3,6,9 and 12)	67.940.580	67.797.924
Transition Process Unapplied Leverage Ratio		
15 Transition process unapplied leverage ratio (%)	5,30	5,21

^(*) Table represents three month average amounts.

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IX. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 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 Bank, the following required tables have not been presented on March 31, 2020:

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

a. Explanations on Risk Management and Risk Weighted Amount:

1. Overview of Risk Weighted Amounts:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period March 31, 2021	Prior Period December 31, 2020	Current Period March 31, 2021
Credit risk (excluding counterparty credit risk)	25.490.266	24.863.067	2.039.221
Standardised approach	25.490.266	24.863.067	2.039.221
Internal rating-based approach	-	-	-
Counterparty credit risk	1.015.595	1.114.658	81.248
Standardised approach for counterparty credit risk	1.015.595	1.114.658	81.248
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	1.820.438	1.509.938	145.635
Standardised approach	1.820.438	1.509.938	145.635
Internal model approaches	-	-	-
Operational risk	3.476.082	2.888.778	278.087
Basic indicator approach	3.476.082	2.888.778	278.087
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	31.802.381	30.376.441	2.544.191

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

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XII. EXPLANATIONS ON OPERATING SEGMENTS

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank’s Total Activities
Current Period –March 31, 2021					
Operating Income	188.320	351.059	179.377	19.729	738.485
Other	-	-	-	-	-
Operating Income	188.320	351.059	179.377	19.729	738.485
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(13.498)	200.540	115.967	22.491	325.500
Profit before Tax	(13.498)	200.540	115.967	22.491	325.500
Corporate Tax Provision (*)	-	-	-	(63.327)	(63.327)
Profit after Tax	(13.498)	200.540	115.967	(40.836)	262.173
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(13.498)	200.540	115.967	(40.836)	262.173
Segment Assets	3.207.040	14.544.531	32.324.834	-	50.076.405
Associates and Subsidiaries	-	-	34.753	220	34.973
Undistributed Assets	-	-	-	-	-
Total Assets	3.207.040	14.544.531	32.359.587	220	50.111.378
Segment Liabilities	25.961.360	12.320.168	6.491.227	1.724.304	46.497.059
Undistributed Liabilities	-	-	-	3.614.319	3.614.319
Total Liabilities	25.961.360	12.320.168	6.491.227	5.338.623	50.111.378
Other Segment Items	257.550	-	(1.704)	(4.203)	251.643
Capital Investment	-	-	-	28.223	28.223
Amortization	-	-	-	(32.426)	(32.426)
Impairment	-	-	(1.704)	-	(1.704)
Non-Cash Other Income-Expense (**)	257.550	-	-	-	257.550

(*) Corporate tax provision is not distributed.

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

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XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Prior Period – December 31, 2020 (***)					
Operating Income	170.128	250.992	198.813	(5.674)	614.259
Other	-	-	-	-	-
Operating Income	170.128	250.992	198.813	(5.674)	614.259
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(32.453)	81.664	145.379	5.450	200.040
Profit before Tax	(32.453)	81.664	145.379	5.450	200.040
Corporate Tax Provision (*)	-	-	-	(36.159)	(36.159)
Profit after Tax	(32.453)	81.664	145.379	(30.709)	163.881
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(32.453)	81.664	145.379	(30.709)	163.881
Segment Assets	3.223.755	14.345.651	25.877.389	-	43.446.795
Associates and Subsidiaries	-	-	34.753	220	34.973
Undistributed Assets	-	-	-	-	-
Total Assets	3.223.755	14.345.651	25.912.142	220	43.481.768
Segment Liabilities	21.799.753	10.684.154	5.990.330	1.510.142	39.984.379
Undistributed Liabilities	-	-	-	3.497.389	3.497.389
Total Liabilities	21.799.753	10.684.154	5.990.330	5.007.531	43.481.768
Other Segment Items	693.806	(459)	(2.408)	24.163	715.102
Capital Investment	-	-	-	24.163	24.163
Amortization	(27.262)	(459)	(122)	-	(27.843)
Impairment	-	-	(2.286)	-	(2.286)
Non-Cash Other Income-Expense (**)	721.068	-	-	-	721.068

(*) Corporate tax provision is not distributed.

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

(***) Income and expense items represents date of March 31, 2020.

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SECTION FIVE

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

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

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

	Current Period March 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Cash/Foreign Currency The CBRT	82.027	744.304	74.523	763.208
	896.264	4.097.711	121.663	6.132.889
Total	978.291	4.842.015	196.186	6.896.097

2. Information related to balances with the CBRT:

	Current Period March 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Unrestricted Demand Deposit	885.225	8.951	116.499	8.265
Unrestricted Time Deposit	11.039	-	5.164	2.594.328
Restricted Time Deposit	-	-	-	-
Reserve Requirements	-	4.088.760	-	3.530.296
Total	896.264	4.097.711	121.663	6.132.889

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 March 31, 2021, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 3% - 8% (December 31, 2020: 1% - 6%) for TL deposits and other liabilities and between 5% - 22% for FC deposits (December 31, 2020: 5% - 22%).

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I. EXPLANATIONS AND NOTES RELATED TO 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 March 31, 2021	Prior Period December 31, 2020
Collateral/Blocked	-	-
Repurchase Agreement	-	-
Unrestricted	1.294.326	345.157
Total	1.294.326	345.157

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

	Current Period March 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Forward Transactions	254	279.880	684	302.988
Swap Transactions	227.775	542.588	408.240	384.481
Futures Transactions	-	-	-	-
Options	-	1.383.583	-	924.415
Other	-	-	-	-
Total	228.029	2.206.051	408.924	1.611.884

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period March 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Banks				
Domestic	-	176.955	-	-
Foreign	2.500	1.287.625	-	27.102
Foreign Head Office and Branches	-	-	-	-
Total	2.500	1.464.580	-	27.102

As of March 31, 2021, amount of TL 10 provision provided for the Bank account within the scope of TFRS 9 (December 31, 2020: TL 9) .

2. Information on foreign bank accounts:

Not disclosed in the interim period.

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I. EXPLANATIONS AND NOTES RELATED TO 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 March 31, 2021	Prior Period December 31, 2020
Collateral/Blocked	1.800.532	1.662.904
Repurchase Agreement	-	1.243.581
Unrestricted	1.906.156	2.108.440
Total	3.706.688	5.014.925

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

	Current Period March 31, 2021	Prior Period December 31, 2020
Debt Securities	3.806.768	5.026.843
Quoted to Stock Exchange	3.806.768	5.026.843
Not Quoted	-	-
Share Certificate	-	-
Quoted to Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	100.080	11.918
Total	3.706.688	5.014.925

e. Information related to loans:

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

	Current Period March 31, 2021		Prior Period December 31, 2020	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	54.500	-	70.035
Corporate Shareholders	-	54.500	-	70.035
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	36.237	467.587	49.609	465.254
Loans Granted to Employees	15.535	-	16.519	-
Total	51.772	522.087	66.128	535.289

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

Cash Loans	Standard Loans	Loans under Close Monitoring		
		Loans not Subject to Restructuring	Restructured Loans	Refinance
		Loans with Revised Contract Terms		
Non-specialized Loans^(*)	18.893.641	4.494.915	2.483.236	-
Discount Notes	12.290.407	3.734.182	2.336.633	-
Export Loans	1.424.851	91.843	102.908	-
Import Loans	964.367	241.289	-	-
Loans Given to Financial Sector	1.612.290	32.754	-	-
Retail Loans	1.094.052	110.041	2.501	-
Credit Cards	1.507.674	284.806	41.194	-
Other	-	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	18.893.641	4.494.915	2.483.236	-

(*) Includes the factoring receivables amounting to TL 115.035.

	Current Period March 31, 2021		Prior Period December 31, 2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	113.358	-	145.629	-
Significant Increase in Credit Risk	-	1.022.545	-	985.195
Total	113.358	1.022.545	145.629	985.195

3. Breakdown of loans according to their maturities:

Not disclosed in the interim period.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	66.828	1.007.871	1.074.699
Mortgage Loans	-	229.089	229.089
Automotive Loans	266	3.027	3.293
Consumer Loans	66.562	774.537	841.099
Other	-	1.218	1.218
Consumer Loans- Indexed to FC	-	404	404
Mortgage Loans	-	404	404
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	1.796.353	20.681	1.817.034
Instalment	624.167	20.681	644.848
Non Instalment	1.172.186	-	1.172.186
Individual Credit Cards-FC	4.954	-	4.954
Instalment	510	-	510
Non Instalment	4.444	-	4.444
Personnel Loans-TL	803	8.846	9.649
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	803	8.846	9.649
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	5.864	5	5.869
Instalment	2.814	5	2.819
Non Instalment	3.050	-	3.050
Personnel Credit Cards-FC	17	-	17
Instalment	-	-	-
Non Instalment	17	-	17
Overdraft Account-TL (Individual)	121.842	-	121.842
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	1.996.661	1.037.807	3.034.468

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

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	-	7.581	7.581
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	7.581	7.581
Other	-	-	-
Commercial Instalment Loans- FC Indexed	-	23.004	23.004
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	23.004	23.004
Other	-	-	-
Commercial Instalment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	5.283	-	5.283
Instalment	565	-	565
Non Instalment	4.718	-	4.718
Corporate Credit Cards-FC	517	-	517
Instalment	-	-	-
Non Instalment	517	-	517
Overdraft Account-TL (Commercial)	5.603	-	5.603
Overdraft Account-FC (Commercial)	-	-	-
Total	11.403	30.585	41.988

6. Loans according to types of borrowers:

Not disclosed in the interim period.

7. Distribution of domestic and foreign loans:

	Current Period March 31, 2021	Prior Period December 31, 2020
Domestic Loans	25.524.694	25.329.901
Foreign Loans	347.098	377.148
Total (*)	25.871.792	25.707.049

(*) As of March 31, 2021, Includes the factoring receivables amounting to TL 115.035 (December 31, 2020: TL 59.847).

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8. Loans granted to investments in associates and subsidiaries:

As of March 31, 2021 and December 31, 2020, the Bank has no loans granted to investments in associates and subsidiaries.

9. Specific provisions provided against loans:

	Current Period March 31, 2021	Prior Period December 31, 2020
Loans with Limited Collectability	468	487
Loans with Doubtful Collectability	13.449	17.650
Uncollectible Loans	445.509	459.559
Total	459.426	477.696

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

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

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
Current Period: March 31, 2021			
Gross Amounts Before Provisions	5		80.096
Rescheduled Loans	5		80.096
Prior Period: December 31, 2020			
Gross Amounts Before Provisions	848	4.490	93.456
Rescheduled Loans	848	4.490	93.456

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

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
Balance at the end of Prior Period: December 31, 2020	1.034	22.797	597.735
Additions (+)	717	9.905	-
Transfers from Other Categories of Non-Performing Loans (+)	-	720	12.835
Transfers to Other Categories of Non-Performing Loans (-)	720	12.835	-
Collections (-)	135	3.205	16.319
Write-offs (-)	-	-	175
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: March 31, 2021	896	17.382	594.076
Provisions (-)	468	13.449	445.509
Net Balance in Balance Sheet	428	3.933	148.567

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

As of March 31, 2020, there are no non-performing loans granted as foreign currency loans (December 31, 2020: None).

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net): March 31, 2021	428	3.933	148.567
Loans granted to corporate entities and real persons (Gross)	896	17.382	594.076
Provisions Amount (-)	468	13.449	445.509
Loans granted to corporate entities and real persons (Net)	428	3.933	148.567
Banks (Gross)			
Provisions Amount (-)			
Banks (Net)			
Other Loans and Advances (Gross)			
Provisions Amount (-)			
Other Loans and Advances (Net)			
Prior Period (Net): December 31, 2020	547	5.147	138.176
Loans granted to corporate entities and real persons (Gross)	1.034	22.797	597.735
Provisions Amount (-)	487	17.650	459.559
Loans granted to corporate entities and real persons (Net)	547	5.147	138.176
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	58	207	6.381
Interest Accruals and Rediscount with Valuation Differences	60	1.582	15.986
Provision amount (-)	2	1.375	9.605
Prior Period (Net)	53	1.086	5.558
Interest Accruals and Rediscount with Valuation Differences	53	2.758	14.315
Provision amount (-)	-	1.672	8.757

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 Bank's top management occurs.

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

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

f. Explanations on financial assets measured at amortized cost:

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

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

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

(i) Financial assets measured at amortized cost:

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

3. Information on financial assets measured at amortized cost:

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

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

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

g. Information on associates (Net):

The Bank has no associates as of March 31, 2021 and December 31, 2020.

h. Information on subsidiaries (Net):

1. Information on capital adequacy of major subsidiaries:

The Bank 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.

a) Unconsolidated subsidiaries:

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

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
2.944	2.839	-	-	-	265	197	-

(*) Prepared with the non-reviewed financial statements as of March 31, 2021.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

2. 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.

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	-

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

3. Movement schedule of the consolidated subsidiaries:

	Current Period March 31, 2021	Prior Period December 31, 2020
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	-	-
Increase/(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

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

	Current Period March 31, 2021	Prior Period December 31, 2020
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

5. Subsidiaries quoted on a stock exchange:

The Bank has no subsidiaries quoted on a stock exchange as of March 31, 2021 and December 31, 2020.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

i. Information on jointly controlled entities:

- a. The Bank has no jointly controlled entities as of March 31, 2021 and December 31, 2020.
- b. As of March 31, 2021 and December 31, 2020, the accounting method is not determined since the Bank has no jointly controlled entities.

j. Information on financial lease receivables (Net):

As of March 31, 2021 and December 31, 2020, the Bank has no finance leases.

k. Information on hedging derivative financial assets:

The Bank has no hedging of derivative financial assets as of March 31, 2020 and December 31, 2020.

l. Explanations on property and equipment:

Not disclosed in the interim period.

m. Information on intangible assets:

Not disclosed in the interim period.

n. Information on the investment properties:

As of March 31, 2021 and December 31, 2020, the Bank has no investment properties.

o. Explanations on deferred tax asset:

As of March 31, 2021, foreign currency deferred tax asset of the Bank is TL 208.989 (December 31, 2020: TL 256.259). Temporary differences subject to deferred tax calculation result from mainly the loan provisions to be deducted from tax, other provisions allocated within the scope of TAS 37, tax values and debts of fixed assets and financial assets, and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank, are netted-off and accounted. As of 31 March 2021, The Bank’s information regarding deferred tax have been explained in Note XX of Section Three.

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

As of March 31, 2021, assets held for sale of the Bank is TL 1.256 (December 31, 2020: TL 1.221).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

r. Information on other assets:

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

	Current Period March 31, 2021	Prior Period December 31, 2020
Miscellaneous Receivables (*)	13.835	62.723
Prepaid Expenses	81.783	67.019
Debited Suspense Accounts	72.079	58.243
Other Rediscount Income (**)(***)	61.948	42.128
Total	229.645	230.113

(*) Includes BIST and derivative securities.

(**) As of March 31, 2021 amount of TL 636 provision provided for Miscellaneous Receivables within the scope of TFRS 9 (December 31, 2020: TL 380).

(***) Includes dividend payments and other income accruals.

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

As of March 31, 2021 and December 31, 2020, the Bank has no receivables from forward sale of the assets classified in the miscellaneous receivables.

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

a. Information on deposits

1. Information on maturity structure of the deposits:

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

1(i). Current Period –March 31, 2021:

	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	421.330	-	1.118.368	4.498.673	749.149	388.895	138.013	-	7.314.428
Foreign Currency Deposits	9.079.349	-	3.630.528	7.029.433	204.604	378.215	129.668	-	20.451.797
Residents in Turkey	8.036.923	-	3.420.453	6.397.877	110.542	338.888	55.486	-	18.360.169
Residents Abroad	1.042.426	-	210.075	631.556	94.062	39.327	74.182	-	2.091.628
Public Sector Deposits	2.731	-	-	-	-	-	-	-	2.731
Commercial Deposits	615.842	-	3.278.604	306.251	93.642	8.127	-	-	4.302.466
Other Institutions Deposits	3.284	-	413	-	-	-	-	-	3.697
Precious Metal Deposit	4.951.440	-	23.345	471.415	5.490	4.498	358	-	5.456.546
Bank Deposits	239.395	-	268.898	-	-	-	-	-	508.293
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	239.395	-	268.898	-	-	-	-	-	508.293
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	15.313.371	-	8.320.156	12.305.772	1.052.885	779.735	268.039	-	38.039.958

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1(ii). Prior 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	-	2.939.947	5.076.203	432.501	71.477	144.989	-	17.871.631
Residents in Turkey	8.145.756	-	2.677.757	4.518.207	359.933	33.892	63.132	-	15.798.677
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	-	2.545.990	250.260	-	-	-	-	3.482.759
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 Deposits	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	-	6.810.854	8.670.878	624.893	142.932	179.827	-	30.990.258

2. Information on saving deposits insurance:

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

	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Current Period March 31, 2021	Current Period March 31, 2021	Prior Period December 31, 2020	Prior Period December 31, 2020
Saving Deposits				
Saving Deposits	2.590.458	4.723.970	2.088.283	2.341.246
Foreign Currency Saving Deposits	3.160.579	10.590.033	3.366.384	9.692.579
Other Deposits in the Form of Saving	785.200	4.501.099	722.277	3.646.937
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	6.536.237	19.815.102	6.176.944	15.680.762

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

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

	Current Period March 31, 2021	Prior Period December 31, 2020
Foreign Branches' Deposits and other accounts	-	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wardship	50.228	45.660
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	-	-

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period March 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Forward Transactions	406	341.203	-	179.701
Swap Transactions	190.413	165.794	374.618	402.235
Future Transactions	-	-	-	-
Options	-	1.384.829	-	926.617
Other	-	-	-	-
Total	190.819	1.891.826	374.618	1.508.553

c. Information on funds provided under repurchase agreements:

As of March 31, 2021, the Bank has no funds provided under repurchase agreements (December 31, 2020: 1.242.251).

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period March 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	-	-
Foreign Banks and Institutions and Funds	-	1.301.942	-	1.931.228
Total	-	1.301.942	-	1.931.228

2. Information on the maturity structure of funds borrowed:

	Current Period March 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Short-Term	-	6.641	-	742.670
Medium and Long-Term	-	1.295.301	-	1.188.558
Total	-	1.301.942	-	1.931.228

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

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

e. Information on marketable securities issued:

	Current Period March 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Bills	1.705.565	-	951.920	-
Bonds	-	-	-	-
Total	1.705.565	-	951.920	-

f. Information on foreign other liabilities:

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

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

g. Information on financial leasing agreements:

With the "IFRS 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 March 31, 2021	Prior Period December 31, 2020
Less than 1 year	5.209	5.122
Between 1- 4 years	58.639	39.262
More than 4 years	53.830	58.458
Total	117.678	102.842

h. Information on derivative financial liabilities for hedging purposes:

As of March 31, 2021, the Bank has no derivative financial liabilities for hedging purposes (December 31, 2020: None).

i. Information on provisions:

1. Information on general provisions:

	Current Period March 31, 2021	Prior Period December 31, 2020
Provisions for off-balance sheet commitments ^(*)	34.532	24.664

^(*) In accordance with IFRS 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 IFRS 9 transaction expected loss for cash loans and other financial assets are classified under assets.

2. Information on employee benefit provisions:

As of March 31, 2021, the Bank has employee termination benefit provision amounting to TL 58.600 (December 31, 2020: TL 59.857), and unused vacation provision amounting to TL 16.242 (December 31, 2020: TL 11.701).

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 7.638,96 (full TL) (December 31, 2020: TL 7.117,17 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

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

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Bank is calculated from the ceiling amount valid from January 1, 2021, TL 7.638,96 (full TL) (December 31, 2020: TL 7.7117,17 (full TL)).

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	Current Period March 31, 2021	Prior Period December 31, 2020
As of January 1	59.857	55.884
Service Cost	985	3.749
Interest Cost	1.891	6.645
Actuarial Loss / (Gain)	(3.798)	(4.957)
Paid in Current Period	(335)	(1.464)
Total	58.600	59.857

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

As of March 31, 2021, the bank has no provisions related to foreign currency difference on the principles of foreign currency indexed loans (December 31, 2020: None).

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

As of March 31, 2021, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.582 (December 31, 2020: TL 1.793).

5. Information on restructuring provisions:

As of March 31, 2021, the bank has no provision for restructuring.(December 31, 2020: TL None).

6. Information on other provisions:

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

As of March 31, 2021, the Bank has no free provisions for possible risks (December 31, 2020: 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 March 31, 2021	Prior Period December 31, 2020
Provision for Lawsuits	44.491	37.111
Provision for Accumulated Credit Card Bonus	2.129	2.962
Return Provision of Case File Expenses	269	298
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.582	1.793
Other Provisions (*)	59.700	67.891
Total	108.171	110.055

(*) As of March 31, 2020, other provisions amounting TL 34.532 (December 31, 2020: TL 24.664) with TFRS 9 Stage 1 and Stage 2 non-cash loans provision for expected losses and includes other provisions within TAS 37.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

j. Explanations on tax liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period March 31, 2021	Prior Period December 31, 2020
Taxation on Marketable Securities	15.841	25.548
Banking Insurance Transaction Tax (BITT)	16.234	13.706
Value Added Tax Payable	1.844	996
Capital Gains Tax on Property	172	600
Foreign Exchange Transaction Tax	2.522	2.690
Corporate Taxes Payable	-	54.824
Other ^(*)	20.169	8.041
Total	56.782	106.405

^(*) As of March 31, 2021, other taxes payable amount consists of payroll tax amounting to TL 19.058. (December 31, 2020: TL 7.311), stamp tax amounting to TL 609 (December 31, 2020: TL 235), other taxes amounting to TL 402 (December 31, 2020: TL 236), and self-employed income tax amounting to TL 100 (December 31, 2020: TL 259).

1(ii). Information on premium payables:

	Current Period March 31, 2021	Prior Period December 31, 2020
Social Security Premiums – Employer	6.169	3.933
Social Security Premiums – Employee	7.835	5.830
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	864	579
Unemployment Insurance – Employee	552	409
Other	-	-
Total	15.420	10.751

2. Information on deferred tax liability:

Information on the Bank’s deferred tax liability as of March 31, 2021 is explained in Note XX of Section Three.

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

As of March 31, 2021 and December 31, 2020, the Bank has no liabilities regarding assets held for sale and discontinued operations.

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

Not disclosed in the interim period.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

m. Information on shareholder’s equity:

1. Presentation of paid-in capital:

	Current Period March 31, 2021	Prior Period December 31, 2020
Common Stock Provision	652.290	652.290
Preferred Stock Provision	-	-

Amount of paid-in capital of the Bank is presented in nominal amount. As of March 31, 2021 capital reserve due to adjustment of the paid-in capital for inflation amounts to TL 310.888 has been classified under the other capital reserve sub-account (December 31, 2020: Other capital reserve is amounting to TL 272.693).

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

Registered share capital system is not applied.

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

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

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

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

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

The Bank has no capital commitments.

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

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

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

The Bank has no privileges given to shares representing the capital.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

8. Information on valuation differences of marketable securities:

	Current Period		Prior Period	
	March 31, 2021		December 31, 2020	
	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	(97.366)	-	9.735	-
Valuation Difference	(97.366)	-	9.735	-
Foreign Currency Difference	-	-	-	-
Total	(97.366)	-	9.735	-

9. Information on revaluation value increase fund:

As of March 31, 2021 and December 31, 2020, the Bank has no revaluation value increase fund.

10. 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 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.

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

	Current Period	Prior Period
	March 31, 2021	December 31, 2020
Asset Purchase and Sale Commitments	17.743.743	14.713.727
Commitments for Credit Card Limits	3.330.666	3.308.035
Commitments for Cheques	15.572	15.531
Loan Granting Commitments	243.979	188.459
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	19.519	18.102
Tax and Fund Liabilities from Export Commitments	2.286	2.286
Other Irrevocable Commitments	540.116	542.659
Total	21.895.881	18.788.799

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

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

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

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 March 31, 2021	Prior Period December 31, 2020
Letters of Guarantee	4.263.919	4.048.072
Letters of Credit	2.374.785	2.027.452
Bank Acceptances	701	412
Other Guarantees	223.314	203.954
Total	6.862.719	6.279.890

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

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

3. Information on the non-cash loans:

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

	Current Period March 31, 2021	Prior Period December 31, 2020
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	6.862.719	6.279.890
Total	6.862.719	6.279.890

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

b. Explanations on derivative transactions:

Not disclosed in the interim period.

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 March 31, 2021, 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.

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

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of March 31, 2021, the total amount of these lawsuits filed against the Bank is TL 44.491 (December 31, 2020: TL 37.111). A total provision of TL 269 (December 31, 2020: TL 298) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favor, with TL 44.760 (December 31, 2020: TL 37.409) being for provisions for refunds related to case document charges.

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

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

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

a. Information on interest income:

1. Information on interest income received from loans:

	Current Period March 31, 2021		Prior Period March 31, 2020	
	TL	FC	TL	FC
Interest Income on Loans ^(*)				
Short-Term Loans	305.437	44.834	190.147	16.571
Medium and Long-Term Loans	58.360	111.818	61.702	101.623
Interest on Loans Under Follow-Up	4.951	222	9.335	-
Resource Utilization Support Fund	-	-	-	-
Total	368.748	156.874	261.184	118.194

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

2. Information on interest income received from banks:

	Current Period March 31, 2021		Prior Period March 31, 2020	
	TL	FC	TL	FC
From the CBRT	-	-	194	-
From the Domestic Banks	25.789	1	15.556	-
Foreign Banks	146	78	1.141	2.740
Headquarters and Branches of Foreign Banks	-	-	-	-
Total	25.935	79	16.891	2.740

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

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	March 31, 2021		March 31, 2020	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	24.899	2.021	23.083	1.558
Financial Assets at Fair Value Through Other Comprehensive Income	167.620	-	34.704	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Total	192.519	2.021	57.787	1.558

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

As of March 31, 2021 and March 31, 2020, the Bank has no interest income received from investments in associates and subsidiaries.

b. Information on interest expense:

1. Information on interest expense on funds borrowed :

	Current Period		Prior Period	
	March 31, 2021		March 31, 2020	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	29.929	-	22.546
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	-	29.929	-	22.546

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

	Current Period		Prior Period	
	March 31, 2021		March 31, 2020	
	TL	FC	TL	FC
Interest Expenses Given to Subsidiaries and Associates		1.938		844

3. Information on interest expense to marketable securities issued:

	Current Period		Prior Period	
	March 31, 2021		March 31, 2020	
	TL	FC	TL	FC
Interest expense to marketable securities issued	43.418	-	-	-
Total	43.418	-	-	-

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

4. Maturity structure of the interest expense on deposits:

Current Period: March 31, 2021	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits		12.861	-	-	-	-	-	12.861
Saving deposits		33.279	154.727	9.281	7.924	1.896	-	207.107
Public sector deposits		-	-	-	-	-	-	-
Commercial deposits		49.655	12.204	1.641	127	-	-	63.627
Other deposits		3	-	-	-	-	-	3
Deposits with 7 days maturity		-	-	-	-	-	-	-
Total		95.798	166.931	10.922	8.051	1.896	-	283.598
Foreign Currency								
Foreign currency deposits		2.398	7.130	319	482	95	-	10.424
Interbank deposits		-	-	-	-	-	-	-
Deposits with 7 days maturity		-	-	-	-	-	-	-
Precious metal deposits		4	115	1	2	-	-	122
Total		2.402	7.245	320	484	95	-	10.546
Grand Total		98.200	174.176	11.242	8.535	1.991	-	294.144

Prior Period: March 31, 2020	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	4.687	-	-	-	-	-	4.687
Saving deposits	-	22.710	52.686	1.474	1.273	1.549	-	79.692
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	43.544	5.072	2.480	3.128	1.462	-	55.686
Other deposits	-	2	-	-	-	-	-	2
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	-	70.943	57.758	3.954	4.401	3.011	-	140.067
Foreign Currency								
Foreign currency deposits	-	8.539	16.075	1.069	1.035	516	-	27.234
Interbank deposits	-	-	-	-	-	-	-	-
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	2	177	3	10	-	-	192
Total	-	8.541	16.252	1.072	1.045	516	-	27.426
Grand Total	-	79.484	74.010	5.026	5.446	3.527	-	167.493

5. Information on interest given on repurchase agreements:

As of March 31, 2021, the Bank has interest given on repurchase agreements amounting to TL 28.043 (March 31, 2020: TL 13.715).

6. Information on finance lease expenses:

As of March 31, 2021, the Bank has lease expenses amounting to TL 5.776 (March 31, 2020: 3.158).

7. Information on interest given on factoring payables:

The Bank has no interest given on factoring payables during the period ended on March 31, 2021 and March 31, 2020.

c. Explanations on dividend income:

As of March 31, 2021, the share of the Bank in the dividend distribution of its subsidiaries is TL 32.824 (March 31, 2020: TL 25.196).

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

1. Trading income/loss (Net):

	Current Period March 31, 2021	Prior Period March 31, 2020
Profit	84.264.598	22.828.405
Capital Market Transactions Income	131.802	115.529
Gain on Derivative Financial Transactions	2.801.495	3.083.919
Foreign Exchange Gains	81.331.301	19.628.957
Loss (-)	84.195.833	22.668.805
Capital Market Transactions Loss	140.900	82.174
Loss on Derivative Financial Transactions	2.582.985	2.477.688
Foreign Exchange Loss	81.471.948	20.108.943
Total (Net)	68.765	159.600

e. Information on other operating income:

	Current Period March 31, 2021	Prior Period March 31, 2020
Reverse of Previous Years Expenses ^(*)	67.026	24.295
Gain on Sale of Assets ^(**)	26.333	116
Provision for Telecommunication Expense	902	834
Other Income	8.910	16.412
Total	103.171	41.657

^(*) Consist of collections or cancellations made from amounts transferred to expense accounts and other provision cancellations through loan loss provision in previous years.

^(**) Income from the sale of assets is shown in the line of income from the sale of real estate held by the Bank

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

	Current Period March 31, 2021	Prior Period March 31, 2020
Expected Credit Loss	39.816	101.298
12 Months Expected Credit Loss (Stage 1)	-	20.746
Significant Increase in Credit Risk (Stage 2)	39.816	71.955
Non-performing Loans (Stage 3)	-	8.597
Marketable Securities Impairment Expense	1.704	7.453
Financial Assets at Fair Value Through Profit or Loss	1.704	7.453
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Other	-	-
Total	41.520	108.751

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

a. Information related to other operating expenses:

	Current Period March 31, 2021	Prior Period March 31, 2020
Reserve for Employee Termination Benefits	-	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	19.250	18.939
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	13.176	8.897
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	-	7
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	61.817	61.079
Leasing Expenses on TFRS 16 Exceptions	3.041	3.064
Maintenance Licensing Expenses	16.082	14.193
Maintenance Expenses	6.370	7.354
Communication Expenses	3.409	3.656
Advertisement Expenses	11.194	10.077
Other Expenses ^(*)	21.721	22.735
Loss on Sales of Assets	1.512	771
Tax, Duties, Charges and Funds Expenses	27.350	20.948
Saving Deposit Insurance Fund Expenses	13.924	13.774
Other ^(*)	77.363	50.253
Total	214.392	174.668

(*) Other line amount TL 77.363 (March 31, 2020: TL 50.253) consists of balances from these items respectively; TL 221 of audit and consultancy fees (March 31, 2020: TL 201), TL 146 of the arbitration committee expenses (March 31, 2020: TL 199) and the remaining TL 76.996 consists of other expenses (March 31, 2020: TL 49.853).

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

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

Not disclosed in the interim period.

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

As of March 31, 2021, the Bank has corporate tax provision expense amounting to TL 17.001 (March 31, 2020: TL 75.030 current tax provision expense) and deferred tax expense of TL 46.326 (March 31, 2020: TL 38.871 income).

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

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

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

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

Net interest income, amounting to TL 439.465 (March 31, 2020: TL 298.145), net wage and commission income amounting to TL 94.260 (March 31, 2020: TL 89.661) have an important role among the income items in the accounting period ending on March 31, 2021. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank’s interest income are the interests received from loans and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

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

	Current Period March 31, 2021	Prior Period March 31, 2020
Credit Card Transactions	41.309	40.301
Insurance Commissions	10.179	10.554
Commissions Received from Banking Transactions	2.829	3.058
Tefas Fund Platform	6.725	9.203
Other Fee and Commissions	20.157	20.030
Total	81.199	83.146

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

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

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

Not disclosed in the interim period.

2. Information on increases in cash flow hedges:

Not disclosed in the interim period.

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

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

Not disclosed in the interim period.

2. Information on cash flow hedges:

Not disclosed in the interim period.

c. Information on dividend distribution:

Not disclosed in the interim period.

d. Information on issuance of common stock:

Not disclosed in the interim period.

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

Not disclosed in the interim period.

f. Offsetting prior period's losses:

Not disclosed in the interim period.

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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:

Not disclosed in the interim period.

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

d. Information on cash and cash equivalents:

Not disclosed in the interim period.

e. Additional information:

None.

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

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

Current Period –March 31, 2021

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Opening Balance	-	133	49.609	535.289	408	-
Closing Balance	-	260	36.237	522.087	147	-
Interest and Commission Income	-	-	146	131	-	-

Prior Period –December 31, 2020

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	109	1.483	657.056	-	-
Closing Balance	-	133	49.609	535.289	408	-
Interest and Commission Income	-	-	1.141	38	-	-

(*) Prior period amounts represents March 31, 2020.

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

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period March 31, 2021	Current Period March 31, 2021	Current Period March 31, 2021
Deposit			
Opening Balance	69.820	186.266	42.579
Closing Balance	61.624	238.301	53.377
Interest expense on deposits	1.938	-	466

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period December 31, 2020	Prior Period December 31, 2020	Prior Period December 31, 2020
Deposit			
Opening Balance	63.180	127.787	24.029
Closing Balance	69.820	186.266	42.579
Interest expense on deposits (*)	844	-	29

(*) Prior period amounts represents March 31, 2020.

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

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period March 31, 2021	Current Period March 31, 2021	Current Period March 31, 2021
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	42.775.309	2.623
Closing Balance	-	37.819.155	1.500
Total Profit/Loss	-	51.869	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period December 31, 2020	Prior Period December 31, 2020	Prior 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 (*)	-	208.296	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss (*)	-	-	-

(*) Prior period amounts represents March 31, 2020.

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

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

As of March 31, 2021, payment is made to the Board of Directors and top executives of the Bank amounting to TL 17.337 (March 31, 2020: TL 17.564).

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

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

Not disclosed in the interim period.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, starting from 1/7/2021 and effective for the taxation period starting from 1/1/2021, the Corporate Tax rate is 25% for the taxation period of 2021 and this rate will be applied as 23% for the taxation period of 2022. The impact of the change in the corporate tax rate as of March 31, 2021 is insignificant.

With the permission of BRSA dated 16.03.2018 and numbered E-20008792-101.02.01 [56] -11799, the Bank has used HSBC Holdings PLC with a 10-year maturity amounting 210 million USD subordinated loan with early redemption on 28 April 2021. and instead received a subordinated loan of EUR 130 million with a 10-year maturity from HSBC Holdings PLC on the same date. The interest rate of the loan is EURO Libor + 6.99%.

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SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

The unconsolidated financial statements for the period ended 31 March 2021 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor’s limited review report dated 11 May 2021 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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SECTION SEVEN

INTERIM ACTIVITY REPORT

**I. INTERIM ACTIVITY REPORT WHICH WILL INCLUDE EVALUATIONS FROM
CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER
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GENERAL INFORMATION

1. Summary information about HSBC Bank A.Ş.

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

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

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

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

Based on the approval of the Banking Regulation and Supervision Agency dated 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.

2. Capital and shareholding structure

The Bank has made no changes in their capital and shareholding structure as well as its shareholders who directly or indirectly; individually or as a group has an influence over the Bank's audit and management, as of the accounting period ended on March 31, 2020. HSBC Middle East Holdings B.V. has a shareholding rate of 89.99% and HSBC Bank Middle East Limited has 10.01% shareholding rate of the Bank's shares. HSBC Bank A.Ş.'s Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of March 31, 2021, HSBC Bank A.Ş.'s paid-in capital is TL 652.290 Thousand and its capital structure is as follows:

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

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and Personnel**

As of March 31, 2021, the Bank has 77 branches dispersed throughout the country (December 31, 2020: 77 branches). As of March 31, 2021, the number of employees of the Bank is 1.918 (December 31, 2020: 1.948).

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

HSBC Bank A.Ş.’s Articles of Association had no changes in January 1 – March 31, 2021 period.

5. Chairman and Members of the Board of Directors

HSBC Bank A.Ş. Board of Directors as of March 31, 2021:

Name and Surname	Title
David Gordon Eldon	Chairman
Didem Çerçi (*)	Chairman Deputy
Süleyman Selim Kervancı	Member, CEO
Robert Adrian Underwood	Member
Ayşe Ebru Dorman (*)	Member
Edward Michael Flanders	Member
Neslihan Erkazancı	Member
Martin François Christian Tricaud (**)	Member

(*)As of March 30, 2021 Mehmet Gani Sönmez and Hamit Aydoğan were resigned from their position of Member of Board. Ayşe Ebru Dorman and Didem Çerçi have been appointed as the Member of Board of Directors as of March 30, 2021.

(**)As of April 3, 2021 Martin François Christian TRICAUD resigned from the position of Member Board of Directors and no assignment has been made yet.

6. Audit Committee

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

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

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

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7. Executive Management

HSBC Bank A.Ş. Executive Management as of March 31, 2021:

Name and Surname	Title	Area of Responsibility
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Anthony Wright	Deputy CEO	Credit and Risk
Ayşe Yenel	Deputy CEO	Retail Banking
Burçin Ozan	Deputy CEO	Finance
Rüçhan Çandar	Deputy CEO	Technology and Services
Dilek Güleç Salzburg (*)	Deputy CEO	Global Banking
Caner Işlak (**)	Deputy CEO	Corporate Banking
Funda Temoçin Aydoğan	Deputy CEO	Human Resources
İbrahim Namık Aksel	Deputy CEO	Treasury and Capital Markets
Fatoş Pınar Fadilloğlu (***)	Deputy CEO	Corporate Communications
Tolga Tüzüner	Head Legal Advisor	Legal

(*)As of March 12, 2021 Dilek Güleç Salzburg has been assigned position of Deputy Director General for Global Banking.

(**)As of March 12, 2021 Caner Işlak has been assigned position of Deputy Director General for Corporate Banking.

(***)As of April 9, 2021 Fatoş Pınar Fadilloğlu resigned from the position of Head of Corporate and no assignment has been made yet.

8. HSBC Bank’s Financial Power Rating

According to Moody’s Credit Rating Institution’s evaluations, HSBC Bank A.Ş.’s rating as of March 31, 2021 is as follows:

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

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9. Summary of unconsolidated financial information for the period

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

According to unconsolidated financial statements, for the period ending on March 31, 2021, HSBC Bank A.Ş.'s total assets realised at 50 billion TL increased by 15% compared to the end of 2020. Loans, which form nearly 53% of the assets, seem to be around 26.3 billion TL gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around 38 billion TL and formed 76% of liabilities. The balance sheet's unconsolidated items groups' period-end balances on the relevant dates are shown below.

ASSETS (Thousand TL)	31.03.2021	31.12.2020
Financial Assets (Net)	24.316.716	17.836.837
Other Financial Assets Measured at Amortized Cost	24.888.817	24.720.095
Non-Current Assets or Disposal Groups “Held for Sale” and “Held from Discontinued Operations” (Net)	1.256	1.221
Equity Investments	34.973	34.973
Property and Equipment (Net)	225.146	220.567
Intangible Assets (Net)	183.193	181.703
Investment Property (Net)	-	-
Current Tax Asset	22.643	-
Deferred Tax Asset	208.989	256.259
Other Assets	229.645	230.113
Total Assets	50.111.378	43.481.768
LIABILITIES (Thousand TL)	31.03.2021	31.12.2020
Deposits	38.039.958	30.990.258
Funds Borrowed	1.301.942	1.931.228
Money markets	-	1.242.251
Securities Issued (Net)	1.705.565	951.920
Funds	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-
Derivative Financial Liabilities	2.082.645	1.883.171
Factoring Liabilities	-	-
Lease Liabilities	117.678	102.842
Provisions	183.013	181.613
Current Tax Liability	72.202	117.156
Deferred Tax Liability	-	-
Liabilities Related to Non-Current Assets “Held For Sale” and “Held from Discontinued Operations”(Net)	-	-
Subordinated Debt	1.743.070	1.652.797
Other Liabilities	1.250.986	931.143
Shareholders' Equity	3.614.319	3.497.389
Total Liabilities	50.111.378	43.481.768

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Information related to HSBC Bank’s unconsolidated income statement for March 31, 2021 and March 31, 2020 were shown below with the changes.

STATEMENT OF INCOME (Thousand TL)	31.03.2021	31.03.2020
Net Interest Income	439.465	298.145
Other Non-Interest Income	299.020	316.114
Total Operating Income/Expense	738.485	614.259
Other Operating Expenses (-)	362.077	300.030
Provision for Loan Losses (-)	50.908	114.189
Net Operating Income/(Loss)	325.500	200.040
Tax Provision (-)	63.327	36.159
NET PROFIT/LOSS FOR THE PERIOD	262.173	163.881

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Message from the Chairman

It has been a year since COVID-19 became part of our daily lives and we still continue to witness how governments across the world are reacting with stringent measures to curb the pandemic. The first quarter of 2021 witnessed economies continuing to adapt to new ways of working, despite reduced mobility, leading in a number of places to a stronger than anticipated rebound, on average, across regions. Although there is hope for a global rebound in activity and turnaround in the pandemic throughout the rest of the year, renewed waves and new variants of the virus pose concerns for the outlook. On the assumption of ongoing successful vaccination roll-outs and steady, if occasionally interrupted, re-openings of more and more sectors of economies around most of the world, we have raised our global growth forecasts to 5.6% from 4.8% in 2021 and to 4.1% from 3.3% in 2022 compared with three months ago.

Economic activity in Turkey remained strong in the first quarter, while concerns over inflation increased. 12-month inflation, having been a downward trajectory, rose to 16.2% as of March, and will likely increase further in the upcoming months after the recent Lira depreciation, before falling in the second half of the year. Meanwhile, budget balances improved in Q1. The 12-month rolling budget deficit fell to 2.3% of GDP as of March from 4.1% of GDP in December. Against inflation risks, the CBRT rose the policy rate by two percentage points to 19% at its March meeting. In the remainder of the year, CBRT’s decisions on the monetary policy will be closely followed by the market players.

Despite the effects of the pandemic on the economy, we continue to support our economy and our customers. Following the growth we achieved last year, we increased our balance sheet size by 15% in the first quarter of the year. Despite the additional risks arising from the ongoing pandemic in the world and in our country, we achieved our goal of managing our asset quality prudently and our non-performing loans ratio continued to perform below the banking sector average. In the same period, we kept our capital and liquidity position above the minimum rates determined by the Banking Regulation and Supervision Agency, and we continue to monitor it closely against additional risks. We are pleased to note that the economy has started to normalize and we believe that the positive developments due to take place in the upcoming period will also support our sustainable growth target. Similar to previous periods, as HSBC we will continue to support the Turkish economy and add value to our customers, employees and our shareholders.

As we look ahead into 2021, there are challenges and also opportunities. We remain committed to delivering excellent service and supporting our customers and shareholders with their financial goals and dreams. I would like to thank the Board, the Management Team, our colleagues and of course our customers for their trust and continuing commitment to HSBC.

Sincerely,

David G. Eldon
Chairman

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Message from the CEO

After a challenging 2020, we are now well into 2021 and coronavirus pandemic still dominates the global economic outlook. Although the ongoing roll out of the vaccines have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. Enhanced structural reforms in all countries, along with international policy co-ordination is essential in order to tackle the pandemic and foster a strong, sustainable and inclusive recovery.

Turkey’s economic recovery continued in the first quarter following a 1.8% growth for 2020, thanks to continued effects of record loan growth in 2020, eased Covid-19 restrictions, and the recovery in its export markets. Manufacturing PMI rose to 52.9 on average in Q1 from 52.0 in Q4 last year. However, the consumer inflation outlook has partially deteriorated with the expected pass-through to prices from the Lira depreciation in March. Annual inflation rose to 16.2% in March from 14.6% in December 2020. Due to relatively high domestic demand as well as weak tourism figures, Turkey’s 12-month rolling current account balance continued to widen in Q1, albeit at a decelerated pace. We continue to expect the economic growth to return around its potential levels this year. Meanwhile, improvement in inflation and current account balance will likely remain limited in 2021 as the monetary tightening has not fully shown its effects on domestic demand yet.

Turkish banking sector is still witnessing the strains of the pandemic, however, lower provisions in this quarter, compared to last years’ conservative provisioning for potential defaults supported the bottom line. In addition to the recovery in provisions, positive developments in revenues from treasury transactions and other operating income are mitigating the severe pressure on margins from recent rate hikes. With the increase in economic activity, loan growth also started to pick up. 13 weeks annualized loan growth trend has accelerated towards 10% in March after bottoming at 5% in February. This acceleration is also visible in sectors’ strong fee income.

Despite the ongoing effects of the pandemic on economies, as of the first quarter of 2021, we increased our asset size by 15% compared to the end of 2020 and by 32% compared to March 2020, when we first started to feel the effects of the pandemic, and we continued to support our economy and customers consistently. We managed our asset quality prudently and we were able to realize our non-performing loans ratio at 2.3% below the sector. Our profit before tax reached up to 326 million TL. In the same period, we kept our capital and liquidity position above the minimum rates determined by the Banking Regulation and Supervision Agency. In the following periods, we will closely follow up all the developments related to COVID-19 and markets. As we increase our revenues, we will continue to focus on our effective risk and disciplined cost management and take all necessary measures to protect our bank and our customers.

In 2021, we continue with our strategic priorities focussing on our customers, employees and the community at large. We continue to remain in close contact with our customers and support them with their evolving needs through the pandemic. Pressing forward with our aim to ensure seamless customer experience during these challenging times, we launched free cash withdrawal and cash deposit transactions at all ATM’s in the market for our Premier and Advance customers. Additionally, Premier Credit Card holders can benefit from 20% discount on e-commerce transactions made on weekends. In line with our ambition to accelerate the transition to a low carbon global economy, and building a thriving, resilient future for society and businesses, we are also supporting our customers transition. Very recently, we played a key role in the sustainable bond issuance of a state owned bank and supported corporate customers with green trade loan. On the retail side, we launched Green Car Loan with a very competitive pricing to support the sustainability agenda.

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At HSBC Bank, A.Ş., we have put in place measures to ensure the health and well-being of our employees and customers ranging from extensive hygienic measures at our branches and offices to wellness programs encompassing social, physical and mental wellbeing of our colleagues and their families. In addition to our initiatives to manage the ongoing pandemic with our already in place flexible working and remote working practices as part of our “best place to work” proposition, we are working on the design of “HSBC Turkey Future of Work” considering workforce segmentation, workplace requirements and benefit schemes incorporated with the cultural agenda.

Uncertainties in the economy and the banking sector relating to Covid-19 pandemic continue in 2021, however we believe that we will continue to use our unique expertise, capabilities, breadth and perspectives to open up new opportunities for our customers. On behalf of the entire leadership of HSBC Bank, A.Ş, I would like to thank all colleagues at HSBC Turkey for all they have done and continue to do. We will thrive and continue to create sustainable value for our customers and shareholders in 2021 and beyond. Thank you for your trust in us as your banking partner.

Sincerely,

Selim Kervancı
Chief Executive Officer

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10. Additional Information on Period Between 01.01.2021-31.03.2021

None.