

# HSBC BANK A.Ş.

## PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT AT JUNE 30, 2021

(Convenience translation of publicly announced consolidated financial statements and independent auditor's limited review report at June 30, 2021, See Note I. of Section Three)

## **AUDITOR’S REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL INFORMATION**

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

**To the Board of Directors of HSBC Bank A.Ş.**

We have reviewed the consolidated balance sheet of HSBC Bank A.Ş. (“the Bank”) and its subsidiaries (collectively referred to as the “Group”) at June 30, 2021 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six month-period then ended. The Group Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation” which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### ***Scope of Review***

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

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the financial position of HSBC Bank A.Ş. and its consolidated subsidiaries at June 30, 2021 and the results of its operations and its cash flows for the six-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 consolidated financial statements and disclosures in all material respects.

### ***Additional Paragraph for Convenience Translation***

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

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

Damla Harman  
Partner, SMMM

August 18, 2021  
İstanbul, Turkey

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

**CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş. AND ITS FINANCIAL  
AFFILIATIES AS OF AND FOR SIX MONTH PERIOD ENDED JUNE 30, 2021**

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

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

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

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

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

Didem Çerçi  
Vice President of the  
Executive Board / Head  
of Audit Committee

Süleyman Selim Kervancı  
General  
Manager

Burçin Ozan  
Financial Reporting  
Assistant General  
Manager

Yerliozan Kül  
Group Head

Robert Adrian Underwood  
Member 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  
Tel : (0212) 336 2708  
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021**

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

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE PARENT BANK**

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

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

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

As of June 30, 2021, the Parent Bank’s nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. Based on the approval of the Banking Regulation and Supervision Agency dated June 21, 2017, 10,01% share of HSBC Bank Plc.’s 100% ownership of the Parent Bank’s capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated June 29, 2017. As of June 30, 2021 there has been no changes regarding the Parent Bank’s capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 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 PARENT BANK THEY POSSESS AND THEIR AREAS OF RESPONSIBILITIES**

<b><u>Title</u></b>	<b><u>Name</u></b>	<b><u>Responsibility</u></b>	<b><u>Education</u></b>
<b>Chairman of the Board:</b>	David Gordon ELDON	Chairman	Undergraduate
<b>Vice President of the Executive Board:</b>	Didem ÇERÇİ	Deputy Chairman	Undergraduate
<b>Board of Directors:</b>	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
	Cristhopher James HATTON	Member	Graduate
<b>CEO:</b>	Süleyman Selim KERVANCI	CEO	Graduate
<b>Head of Internal Audit:</b>	Ercan OĞUL	Head of Internal Audit	Graduate
<b>Deputy CEO:</b>	Rüçhan ÇANDAR	Technology and Services	Graduate
<b>Executive Vice Presidents:</b>	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
	Tolga TÜZÜNER	Head of Legal Advisor	Graduate
	Dilek Güleç SALZBURG	Global Banking	Undergraduate
	Caner İŞLAK	Corporate Banking	Graduate
<b>Audit Committee:</b>	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 Parent Bank.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 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 PARENT BANK**

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

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

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

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

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

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

As of June 30, 2021, the Parent Bank has 76 branches dispersed throughout the country (December 31, 2020: 77 branches).

As of June 30, 2021, the number of employees of the Group is 1.940 (December 31, 2020: 2.014).

**VI. OTHER MATTERS**

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

**VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE**

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

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

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



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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IN TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021**

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

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

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

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

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2021 AND DECEMBER 31, 2020  
(STATEMENT OF FINANCIAL POSITION)**

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

**SECTION TWO  
CONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	Note (Section Five I)	Reviewed Current Period (30.06.2021)			Audited Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
<b>ASSETS</b>							
<b>I. FINANCIAL ASSETS (NET)</b>		<b>9.010.258</b>	<b>17.640.699</b>	<b>26.650.957</b>	<b>7.997.516</b>	<b>9.853.168</b>	<b>17.850.684</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>4.837.662</b>	<b>15.830.462</b>	<b>20.668.124</b>	<b>2.378.362</b>	<b>8.075.944</b>	<b>10.454.306</b>
1.1.1 Cash and Balances with Central Bank	(I-a)	244.807	5.014.145	5.258.952	196.186	6.896.097	7.092.283
1.1.2 Banks	(I-c)	22.335	1.357.418	1.379.753	2.584	27.102	29.686
1.1.3 Money Market Placements		4.572.421	9.458.899	14.031.320	2.182.029	1.152.745	3.334.774
1.1.4 Expected Loss Provision (-)		1.901	-	1.901	2.437	-	2.437
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	<b>(I-b)</b>	<b>708.829</b>	<b>81.211</b>	<b>790.040</b>	<b>195.305</b>	<b>165.340</b>	<b>360.645</b>
1.2.1 Government Debt Securities		703.262	81.211	784.473	189.738	165.340	355.078
1.2.2 Equity Instruments		5.567	-	5.567	5.567	-	5.567
1.2.3 Other Financial Assets		-	-	-	-	-	-
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(I-d)</b>	<b>3.296.329</b>	<b>-</b>	<b>3.296.329</b>	<b>5.014.925</b>	<b>-</b>	<b>5.014.925</b>
1.3.1 Government Debt Securities		3.296.329	-	3.296.329	5.014.925	-	5.014.925
1.3.2 Equity Instruments		-	-	-	-	-	-
1.3.3 Other Financial Assets		-	-	-	-	-	-
<b>1.4 Derivative Financial Assets</b>	<b>(I-b)</b>	<b>167.438</b>	<b>1.729.026</b>	<b>1.896.464</b>	<b>408.924</b>	<b>1.611.884</b>	<b>2.020.808</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		167.438	1.729.026	1.896.464	408.924	1.611.884	2.020.808
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>8.151.612</b>	<b>16.567.244</b>	<b>24.718.856</b>	<b>9.348.827</b>	<b>15.377.469</b>	<b>24.726.296</b>
<b>2.1 Loans</b>	<b>(I-e)</b>	<b>9.648.315</b>	<b>16.567.244</b>	<b>26.215.559</b>	<b>10.897.575</b>	<b>15.377.469</b>	<b>26.275.044</b>
<b>2.2 Lease Receivables</b>	<b>(I-j)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.3 Factoring Receivables</b>	<b>(I-f)</b>	<b>103.962</b>	<b>-</b>	<b>103.962</b>	<b>59.847</b>	<b>-</b>	<b>59.847</b>
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	<b>(I-f)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.4.1 Government Debt Securities		-	-	-	-	-	-
2.4.2 Other Financial Assets		-	-	-	-	-	-
<b>2.5 Expected Credit Losses (-)</b>		<b>1.600.665</b>	<b>-</b>	<b>1.600.665</b>	<b>1.608.595</b>	<b>-</b>	<b>1.608.595</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	<b>(I-p)</b>	<b>909</b>	<b>-</b>	<b>909</b>	<b>1.221</b>	<b>-</b>	<b>1.221</b>
3.1 Held for Sale Purpose		909	-	909	1.221	-	1.221
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>220</b>	<b>-</b>	<b>220</b>	<b>220</b>	<b>-</b>	<b>220</b>
<b>4.1 Investments in Associates (Net)</b>	<b>(I-g)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Accounted Under Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
<b>4.2 Subsidiaries (Net)</b>	<b>(I-h)</b>	<b>220</b>	<b>-</b>	<b>220</b>	<b>220</b>	<b>-</b>	<b>220</b>
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		220	-	220	220	-	220
<b>4.3 Entities under Common Control (Joint Venture) (Net)</b>	<b>(I-i)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>	<b>(I-l)</b>	<b>209.310</b>	<b>-</b>	<b>209.310</b>	<b>221.432</b>	<b>-</b>	<b>221.432</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>(I-m)</b>	<b>184.221</b>	<b>-</b>	<b>184.221</b>	<b>181.806</b>	<b>-</b>	<b>181.806</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		184.221	-	184.221	181.806	-	181.806
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>(I-n)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>(I-o)</b>	<b>289.007</b>	<b>-</b>	<b>289.007</b>	<b>257.441</b>	<b>-</b>	<b>257.441</b>
<b>X. OTHER ASSETS</b>	<b>(I-r)</b>	<b>286.494</b>	<b>128.463</b>	<b>414.957</b>	<b>215.285</b>	<b>61.040</b>	<b>276.325</b>
<b>TOTAL ASSETS</b>		<b>18.132.031</b>	<b>34.336.406</b>	<b>52.468.437</b>	<b>18.223.748</b>	<b>25.291.677</b>	<b>43.515.425</b>

The accompanying explanations and notes set out on pages 14 to 85 form an integral part of these consolidated financial statements.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 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 (30.06.2021)			Audited Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES</b>							
<b>I. DEPOSITS</b>	(II-a)	11.853.808	29.014.856	40.868.664	8.514.625	22.408.453	30.923.078
<b>II. FUNDS BORROWED</b>	(II-d)	-	2.031.421	2.031.421	-	1.931.228	1.931.228
<b>III. MONEY MARKET BALANCES</b>	(II-c)	-	-	-	1.242.251	-	1.242.251
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>		1.030.900	-	1.030.900	951.920	-	951.920
4.1 Bills		1.030.900	-	1.030.900	951.920	-	951.920
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. BORROWER FUNDS</b>		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(II-b)	126.539	1.697.523	1.824.062	374.618	1.508.553	1.883.171
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		126.539	1.697.523	1.824.062	374.618	1.508.553	1.883.171
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	(II-f)	108.020	3.247	111.267	99.547	3.409	102.956
<b>X. PROVISIONS</b>	(II-h)	178.924	1.860	180.784	183.098	1.633	184.731
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		73.819	-	73.819	74.392	-	74.392
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		105.105	1.860	106.965	108.706	1.633	110.339
<b>XI. CURRENT TAX LIABILITY</b>	(II-i)	162.864	-	162.864	122.431	-	122.431
<b>XII. DEFERRED TAX LIABILITY</b>	(II-i)	-	-	-	-	-	-
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(II-j)	-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(II-k)	-	1.353.604	1.353.604	-	1.652.797	1.652.797
14.1 Loans		-	1.353.604	1.353.604	-	1.652.797	1.652.797
14.2 Other Debt Instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>	(II-e)	685.140	360.143	1.045.283	666.405	272.518	938.923
<b>XVI. SHAREHOLDERS' EQUITY</b>	(II-l)	3.859.588	-	3.859.588	3.581.939	-	3.581.939
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		(11.499)	-	(11.499)	(20.974)	-	(20.974)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(71.678)	-	(71.678)	9.735	-	9.735
16.5 Profit Reserves		2.589.002	-	2.589.002	2.215.463	-	2.215.463
16.5.1 Legal Reserves		200.571	-	200.571	201.483	-	201.483
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		2.388.431	-	2.388.431	2.013.980	-	2.013.980
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit Or Loss		390.585	-	390.585	452.732	-	452.732
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		390.585	-	390.585	452.732	-	452.732
16.7 Minority Interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>18.005.783</b>	<b>34.462.654</b>	<b>52.468.437</b>	<b>15.736.834</b>	<b>27.778.591</b>	<b>43.515.425</b>

The accompanying explanations and notes set out on pages 14 to 85 form an integral part of these consolidated financial statements.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS  
AS OF JUNE 30, 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 (30.06.2021)			Audited Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>31.209.962</b>	<b>96.106.071</b>	<b>127.316.033</b>	<b>31.467.620</b>	<b>120.835.138</b>	<b>152.302.758</b>
<b>I. GUARANTEES AND COLLATERALS</b>	(III-a-2,3)	<b>1.243.937</b>	<b>6.403.224</b>	<b>7.647.161</b>	<b>1.290.594</b>	<b>4.989.163</b>	<b>6.279.757</b>
1.1 Letters of Guarantee		1.213.937	3.359.526	4.573.463	1.265.594	2.782.345	4.047.939
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		1.213.937	3.359.526	4.573.463	1.265.594	2.782.345	4.047.939
1.2 Bank Acceptances		-	1.455	1.455	-	412	412
1.2.1 Import Letter of Acceptance		-	1.455	1.455	-	412	412
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		30.000	2.807.411	2.837.411	25.000	2.002.452	2.027.452
1.3.1 Documentary Letters of Credit		30.000	1.390.926	1.420.926	25.000	1.151.801	1.176.801
1.3.2 Other Letters of Credit		-	1.416.485	1.416.485	-	850.651	850.651
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	234.832	234.832	-	203.954	203.954
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(III-a-1)	<b>7.856.886</b>	<b>8.486.017</b>	<b>16.342.903</b>	<b>6.589.498</b>	<b>12.199.301</b>	<b>18.788.799</b>
2.1 Irrevocable Commitments		7.856.886	8.486.017	16.342.903	6.589.498	12.199.301	18.788.799
2.1.1 Forward Asset Purchase and Sale Commitments		3.651.208	8.485.230	12.136.438	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		240.169	-	240.169	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		15.477	-	15.477	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		3.383.886	-	3.383.886	3.308.035	-	3.308.035
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		20.405	-	20.405	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		543.455	787	544.242	541.986	673	542.659
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(III-b)	<b>22.109.139</b>	<b>81.216.830</b>	<b>103.325.969</b>	<b>23.587.528</b>	<b>103.646.674</b>	<b>127.234.202</b>
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		22.109.139	81.216.830	103.325.969	23.587.528	103.646.674	127.234.202
3.2.1 Forward Foreign Currency Buy/Sell Transactions		6.552.279	10.549.016	17.101.295	5.620.930	8.754.954	14.375.884
3.2.1.1 Forward Foreign Currency Transactions-Buy		5.078.794	3.523.800	8.602.594	3.745.276	3.555.430	7.300.706
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.473.485	7.025.216	8.498.701	1.875.654	5.199.524	7.075.178
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		8.335.146	56.477.444	64.812.590	9.480.572	79.283.673	88.764.245
3.2.2.1 Foreign Currency Swap-Buy		2.070.556	17.850.977	19.921.533	2.600.667	28.493.327	31.093.994
3.2.2.2 Foreign Currency Swap-Sell		6.264.590	17.295.547	23.560.137	6.879.905	27.708.756	34.588.661
3.2.2.3 Interest Rate Swap-Buy		-	10.665.460	10.665.460	-	11.540.795	11.540.795
3.2.2.4 Interest Rate Swap-Sell		-	10.665.460	10.665.460	-	11.540.795	11.540.795
3.2.3 Foreign Currency, Interest Rate, And Securities Options		7.221.714	10.032.036	17.253.750	8.486.026	10.552.554	19.038.580
3.2.3.1 Foreign Currency Options-Buy		3.610.857	5.016.018	8.626.875	4.243.013	5.276.277	9.519.290
3.2.3.2 Foreign Currency Options-Sell		3.610.857	5.016.018	8.626.875	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		-	4.158.334	4.158.334	-	5.055.493	5.055.493
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>807.622.994</b>	<b>61.093.583</b>	<b>868.716.577</b>	<b>683.263.315</b>	<b>42.615.226</b>	<b>725.878.541</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>739.461.082</b>	<b>20.773.319</b>	<b>760.234.401</b>	<b>615.186.270</b>	<b>8.122.872</b>	<b>623.309.142</b>
4.1 Customers' Securities Held		178.725	-	178.725	174.752	-	174.752
4.2 Investment Securities Held in Custody		737.473.783	12.644.890	750.118.673	612.999.046	1.058.659	614.057.705
4.3 Checks Received for Collection		6.001	133.424	139.425	25.701	130.671	156.372
4.4 Commercial Notes Received for Collection		94.235	26.975	121.210	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		1.708.338	7.968.030	9.676.368	1.864.830	6.908.058	8.772.888
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES ITEMS</b>		<b>65.671.423</b>	<b>25.280.159</b>	<b>90.951.582</b>	<b>65.783.256</b>	<b>21.641.484</b>	<b>87.424.740</b>
5.1 Marketable Securities		70.350	1.285.043	1.355.393	27.146	1.103.651	1.130.797
5.2 Guarantee Notes		32.777	521.529	554.306	32.842	448.710	481.552
5.3 Commodity		629.553	1.113.976	1.743.529	571.021	983.044	1.554.065
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		3.025.827	11.536.141	14.561.968	3.240.747	9.834.339	13.075.086
5.6 Other Pledged Items		61.912.916	10.823.470	72.736.386	61.911.500	9.271.740	71.183.240
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>		<b>2.490.489</b>	<b>15.040.105</b>	<b>17.530.594</b>	<b>2.293.789</b>	<b>12.850.870</b>	<b>15.144.659</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>838.832.956</b>	<b>157.199.654</b>	<b>996.032.610</b>	<b>714.730.935</b>	<b>163.450.364</b>	<b>878.181.299</b>

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF JUNE 30, 2021 AND JUNE 30, 2020**

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

III. STATEMENT OF PROFIT OR LOSS		Dipnot (Beşinci Bölüm IV)	Reviewed			
			Current Period (01.01.2010 – 30.06.2021)	Current Period (01.04.2021 – 30.06.2021)	Prior Period (01.01.2020 – 30.06.2020)	Prior Period (01.04.2020 – 30.06.2020)
INCOME AND EXPENSE ITEMS						
<b>I.</b>	<b>INTEREST INCOME</b>	(IV-a)	<b>1.749.938</b>	<b>905.838</b>	<b>1.021.806</b>	<b>502.555</b>
1.1	Interest Income on Loans	(IV-a-1)	1.101.444	575.329	759.404	379.799
1.2	Interest Received from Reserve Requirements		34.485	23.446	-	-
1.3	Interest Received from Banks	(IV-a-2)	86.434	60.420	23.079	3.448
1.4	Interest Received from Money Market Transactions		149.952	66.156	96.399	38.295
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	370.930	176.134	139.317	79.712
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		45.908	18.732	32.740	7.839
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		325.022	157.402	106.577	71.873
1.5.3	Financial Assets at Measured at Amortized Cost		-	-	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		6.693	4.353	3.607	1.301
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	(IV-b)	<b>960.486</b>	<b>560.522</b>	<b>430.242</b>	<b>211.346</b>
2.1	Interest Expense on Deposits	(IV-b-4)	749.514	457.308	313.206	146.557
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	61.108	31.179	46.048	23.502
2.3	Interest Expense on Money Market Transactions		31.280	3.237	35.611	21.896
2.4	Interest on Securities Issued	(IV-b-3)	106.347	62.929	-	-
2.5	Interest Expense on Lease		11.037	5.271	8.186	4.971
2.6	Other Interest Expenses		1.200	598	27.191	14.420
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>789.452</b>	<b>345.316</b>	<b>591.564</b>	<b>291.209</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>233.204</b>	<b>115.167</b>	<b>208.350</b>	<b>96.581</b>
4.1	Fees and Commissions Received		263.195	131.035	232.463	108.395
4.1.1	Non-Cash Loans		55.282	28.367	39.500	20.898
4.1.2	Other	(IV-l)	207.913	102.668	192.963	87.497
4.2	Fees and Commissions Paid (-)		29.991	15.868	24.113	11.814
4.2.1	Non-Cash Loans		388	195	395	198
4.2.2	Other		29.603	15.673	23.718	11.616
<b>V.</b>	<b>DIVIDEND INCOME</b>	(IV-c)	<b>219</b>	<b>219</b>	<b>89</b>	<b>89</b>
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	(IV-d)	<b>192.849</b>	<b>123.293</b>	<b>297.191</b>	<b>135.628</b>
7.1	Trading Gains/(Losses) on Securities		5.447	14.545	84.351	50.996
7.2	Derivative Financial Transactions Gains/(Losses)		356.142	137.632	562.173	(44.058)
7.3	Foreign Exchange Gains/(Losses)		(168.740)	(28.884)	(349.333)	128.690
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(IV-e)	<b>125.992</b>	<b>23.678</b>	<b>139.177</b>	<b>97.924</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.341.716</b>	<b>607.673</b>	<b>1.236.371</b>	<b>621.431</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES (-)</b>	(IV-f)	<b>50.501</b>	<b>8.981</b>	<b>289.792</b>	<b>181.041</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>		<b>8.890</b>	<b>(498)</b>	<b>3.945</b>	<b>(1.493)</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>313.142</b>	<b>157.905</b>	<b>258.278</b>	<b>127.979</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(IV-g)	<b>467.219</b>	<b>245.993</b>	<b>497.445</b>	<b>318.365</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>501.964</b>	<b>195.292</b>	<b>186.911</b>	<b>(4.461)</b>
<b>XIV.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-	-	-
<b>XV.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-	-	-
<b>XVI.</b>	<b>INCOME/ (LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVII.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)</b>		-	-	-	-
<b>XVIII.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>		<b>501.964</b>	<b>195.292</b>	<b>186.911</b>	<b>(4.461)</b>
18.1	Current Tax Provision	(IV-i)	(111.379)	(43.616)	(71.087)	(30.237)
18.2	Deferred Tax Income Effect (+)		(147.173)	(126.360)	(133.792)	(54.814)
18.3	Deferred Tax Expense Effect (-)		-	-	-	-
<b>XIX.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)</b>		<b>35.794</b>	<b>82.744</b>	<b>62.705</b>	<b>24.577</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>	(IV-j)	<b>390.585</b>	<b>151.676</b>	<b>115.824</b>	<b>(34.698)</b>
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		-	-	-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
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		-	-	-	-
<b>XXII.</b>	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-	-	-
<b>XXIII.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
23.1	Current Tax Provision		-	-	-	-
23.2	Deferred Tax Income Effect (+)		-	-	-	-
23.3	Deferred Tax Expense Effect (-)		-	-	-	-
<b>XXIV.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-	-	-
<b>XXV.</b>	<b>NET PROFIT/LOSSES (XIX+XXIV)</b>		-	-	-	-
	Earnings/Loss per Share	(IV-k)	<b>390.585</b>	<b>151.676</b>	<b>115.824</b>	<b>(34.698)</b>
			0,005988	0,002325	0,001776	(0,000532)

The accompanying explanations and notes set out on pages 14 to 85 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS  
OF JUNE 30, 2021 AND JUNE 31, 2020**

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

<b>IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
	<b>Reviewed Current Period (30.06.2021)</b>	<b>Reviewed Prior Period (30.06.2020)</b>
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>390.585</b>	<b>115.824</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(71.938)</b>	<b>26.449</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>9.475</b>	<b>3.660</b>
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	11.940	4.588
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	(2.465)	(928)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>(81.413)</b>	<b>22.789</b>
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	(98.485)	26.958
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	17.072	(3.671)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>318.647</b>	<b>142.273</b>

The accompanying explanations and notes set out on pages 14 to 85 form an integral part of these consolidated financial statements.

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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF JUNE 30, 2020**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																	
						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 June 30, 2020	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves							Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Minority Shares	Total Equity
						1	2	3	4	5	6						
<b>I. Balances at the Beginning of the Period - December 31, 2019</b>		652.290	-	-	272.693	-	(24.980)	-	-	26.011	388	1.736.591	-	478.872	3.141.865	-	3.141.865
<b>II. Corrections According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		652.290	-	-	272.693	-	(24.980)	-	-	26.011	388	1.736.591	-	478.872	3.141.865	-	3.141.865
<b>IV. Total Comprehensive Income</b>		-	-	-	-	-	3.660	-	-	23.177	(388)	-	-	115.824	142.273	-	142.273
<b>V. Capital Increase by Cash</b>	(V-a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Paid-in capital inflation adjustment difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Shares</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	478.872	-	(478.872)	-	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	478.872	-	(478.872)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		652.290	-	-	272.693	-	(21.320)	-	-	49.188	-	2.215.463	-	115.824	3.284.138	-	3.284.138

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

The accompanying explanations and notes set out on pages 14 to 85 form an integral part of these consolidated financial statements.



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF JUNE 30, 2021**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																	
						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 June 30, 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	Minority Shares	Total Equity
<b>I. Balances at the Beginning of the Period - December 31, 2020</b>		652.290	-	-	272.693	-	(20.974)	-	-	9.735	-	2.215.463	-	452.732	3.581.939	-	3.581.939
<b>II. Corrections According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		652.290	-	-	272.693	-	(20.974)	-	-	9.735	-	2.215.463	-	452.732	3.581.939	-	3.581.939
<b>IV. Total Comprehensive Income</b>		-	-	-	-	-	9.475	-	-	(81.413)	-	-	-	390.585	318.647	-	318.647
<b>V. Capital Increase by Cash</b>	(V-a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Paid-in capital inflation adjustment difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Shares</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	38.195	-	-	-	-	-	-	373.359	-	(452.732)	(40.998)	-	(40.998)
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	(40.998)	-	-	(40.998)	-	(40.998)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	452.732	-	(452.732)	-	-	-
11.3 Other		-	-	-	38.195	-	-	-	-	-	-	(38.195)	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		652.290	-	-	310.888	-	(11.499)	-	-	(71.678)	-	2.589.002	-	390.585	3.859.588	-	3.859.588

- 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 14 to 85 form an integral part of these consolidated financial statements

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS AS OF JUNE 30, 2021 AND JUNE 31, 2020**

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

<b>VI. STATEMENT OF CASH FLOWS</b>			
	<b>Note (Section Five VI)</b>	<b>Reviewed Current Period (30.06.2021)</b>	<b>Reviewed Prior Period (30.06.2020)</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>	(VI-a)	<b>620.802</b>	<b>1.004.896</b>
1.1.1 Interest Received		1,721,494	1.001.432
1.1.2 Interest Paid		(847,398)	(505.001)
1.1.3 Dividend Received		219	89
1.1.4 Fees and Commissions Received		220,391	198.025
1.1.5 Other Income		79,657	55.929
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		30,963	37.327
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(341,399)	(291.753)
1.1.8 Taxes Paid		(98,851)	(88.400)
1.1.9 Other		(144,274)	597.248
<b>1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations</b>		<b>7.863.016</b>	<b>(1.568.428)</b>
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(420,670)	13.848
1.2.2 Net Decrease in Due From Banks		(674,557)	(499.367)
1.2.3 Net (Increase) in Loans		1,456	(3.572.945)
1.2.4 Net (Increase) in Other Assets		71,959	(150.072)
1.2.5 Net Increase in Bank Deposits		(344,622)	75.551
1.2.6 Net Increase/(Decrease) in Other Deposits		10.202.517	(330.050)
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net (Decrease) in Funds Borrowed		396.198	(30.720)
1.2.9 Net Increase/(Decrease) in Matured Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(1.369.265)	2.925.327
<b>I Net Cash Provided From Banking Operations</b>		<b>8.483.818</b>	<b>(563.532)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II Net Cash Provided From Investing Activities</b>		<b>1.579.607</b>	<b>(3.891.481)</b>
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		(10,930)	(26.120)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		29.488	-
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(243.597)	(4.395.770)
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		1.836.480	556.005
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		(31.834)	(25.596)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III Net Cash Provided From Financing Activities</b>		<b>(510.449)</b>	<b>(38.943)</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		3.679.410	-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		(4.177.547)	-
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Lease Liabilities		(12.312)	(38.943)
3.6 Other		-	-
<b>IV Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(VI-a)	<b>(14.005)</b>	<b>(1.065)</b>
<b>V Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>9,538,971</b>	<b>(4.495.021)</b>
<b>VI Cash and Cash Equivalents at Beginning of the Period</b>	(VI-d)	<b>6,913,155</b>	<b>11.874.597</b>
<b>VII Cash and Cash Equivalents at End of the Period</b>	(VI-d)	<b>16,452,126</b>	<b>7.379.576</b>

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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2021**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

The Group prepared the accompanying consolidated financial statements within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”) and in case where a specific regulation is not made by BRSA and Turkish Accounting Standards published by the Public Oversight Accounting for the format and detail of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated June 28, 2012, and amendments to this Communiqué dated February 1, 2019 which include Turkish Accounting Standard principles.

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

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

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

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

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

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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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2021**

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

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**I. EXPLANATIONS ON BASIS OF PRESENTATION (CONTINUED)**

Since it is aimed to update the most recent consolidated financial information in the interim consolidated financial statements prepared as of June 30, 2021, considering the magnitude of the economic changes due to COVID-19, the Parent Bank made certain estimates in the calculation of expected credit losses and disclosed them in footnote numbered VIII “Explanations On Expected Credit Losses”. At the each quarter periods, the Parent Bank will update its relevant assumptions as necessary and revise the realizations of past estimates.

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

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

**Changes in Accounting policies and disclosures**

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

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

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

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

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

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

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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 CONSOLIDATED INVESTMENTS IN ASSOCIATES AND  
SUBSIDIARIES**

The Group has no investments in associates as of June 30, 2021. The accompanying consolidated financial statements are prepared in accordance with TFRS 10 “Consolidated and Separate Financial Statements” and BRSA communiqué published on the Official Gazette numbered 26340 and dated November 8, 2006 Non-financial subsidiary of the Bank is HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on December 10, 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide hospitality, catering and private waiting room. As of October 17, 2019, dischargement process of HSBC Ödeme has started.

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

<b>Name</b>	<b>Consolidation Method</b>	<b>Place of Establishment</b>	<b>Subject of Operations</b>	<b>The Group’s share percentage- If different voting percentage (%)</b>
HSBC Yatırım ve Menkul Değerler A.Ş. <sup>(9)</sup>	Full consolidation	Turkey	Securities Intermediary Services	100,00

<sup>(9)</sup> HSBC Portföy Yönetimi A.Ş. (“HSBC Portföy”) has been included scope of consolidation that the is the subsidiary of HSBC Yatırım Menkul Değerler A.Ş. (“HSBC Yatırım”) and HSBC Yatırım

**IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE  
INSTRUMENTS**

In order to reduce the foreign exchange position risk the Parent Bank conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the 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.

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**V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES**

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

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

**VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES**

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)**

**Classification and measurement of financial instruments**

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

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

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

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

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

**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.

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**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)**

**b) Financial Assets at Fair Value Through 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 way 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.

**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 June 30, 2021 and December 31, 2020, the Group has no marketable securities measured at amortized cost.

**d) Loans:**

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

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



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**VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES**

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

As of January 1, 2019, the Group recognizes a loss allowance for expected credit losses based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” in accordance with TFRS 9. In this context, the loan provision calculation method which is set out in accordance with the relevant legislation of BRSA as of December 31, 2018 changed by applying expected credit loss model with the implementation of TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, in order to continue economic and commercial activities in a healthy way resulting from the Covid-19 outbreak, the 90 days default period for loans to be classified as non-performing loans shall be applied as 180 days according to assembly’s resolution dated on June 17, 2021. This measure will be effective until September 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 Parent Bank’s financial statements.

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

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

**Stage 1:**

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

**Stage 2:**

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses.

**Stage 3:**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, a lifetime expected credit loss is recorded.

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**VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)**

**Calculation of Expected Credit Losses**

The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). 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 individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit losses which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

**Probability of Default (PD)**

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime 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 qualitative survey responses. Whereas behavioral and application scorecards used in the individual portfolio include; the behavioral data of the customer and the product in the Parent Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. In the retail portfolio, a structure was constructed on the segment based structure and the distribution of the customers among the predetermined segments. Segments are formed by product-specific variables and product based. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

**Loss Given Default (LGD)**

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

The Parent Bank determines the assignment of LGD by using historical data which best reflects current circumstances for individual loans and corporate loans that are individually assessed. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. However, LGD assignment of corporate loans executed by portfolio based LGD calculation which is being used for estimating credit risk parameters under the tactical method and it is based on a complete economic cycle as prescribed by the Basel Committee. In order to demonstrate the statistical significance required thresholds can vary according to the specified portfolios.

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**VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)**

**Exposure at Default (EAD):**

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios.

**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
- Housing price index
- Short term external debt

As of June 30, 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 revised its macroeconomic expectations and weights in the expected credit loss calculation and the calculation which is made by taking into consideration the changes in PD and LGD is reflected in the financial statements as of June 30, 2021. In this context the Parent Bank reflected the annual change rate in housing prices and short-term foreign debt change in USD in order to determine the PD and LGD. The model effects are tardily reflected to the financial statements due to the nature of the events that cause change and the effects of the events occur at different times. Therefore, the Parent Bank has established an additional provisions for the entire loan portfolio In addition to 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 reserve calculations for the end of 2020 and the current year of 2021, will be revised in the following reporting periods, taking into account the impact of the pandemic, 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 Parent Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Parent Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier. But due to segment-based approach to retail loans the maturity of the 95 percentile is calculated as the credit life.

**Significant Increase in Credit Risk**

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

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

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

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

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, the loans overdue as 30 days are classified in the Stage 2 will be applied as 90 days until September 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 Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss. Where all risks and rewards of ownership of the asset have not been transferred to another party and the Parent Bank retains control of the asset, the 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 Parent Bank derecognizes the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

**c) Derecognition of Financial Liabilities**

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

**d) Reclassification of Financial Instruments**

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

**e) Restructuring and Refinancing of Financial Instruments**

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

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

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

- The loan, which is restructured in the process of performing-private restructuring loans (need-vehicle-housing), is considered as close monitoring and is followed in close monitoring at the time of restructured loan period.
- There is no restructuring of loan and credit card related to the non-performing loans.

**X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES**

None.

**XI. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis.

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

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

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**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 June 30, 2021 and December 31, 2020, the Group has no discontinued operations.

**XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

As of June 30, 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.

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**XVI. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

**Explanations on TFRS 16 Leasing Transactions:**

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The Group has started to apply the "TFRS 16 Leases" Standard with using the modified retrospective approach from January 1, 2019.

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

**Right of use assets**

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

The right use includes the presence of:

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

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



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**XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)**

**Lease Liabilities**

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

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

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

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

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

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

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

**Short-term leases and leases of low-value assets**

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

Due to the Group’s implementation of TFRS 16, rights of use assets classified under tangible assets as of June 30, 2021 amounted to TL 181.012 (December 31, 2020: TL 181.653), lease liability amounted to TL 111.267 (December 31, 2020: TL 102.956), depreciation expense amounted to TL 20.119 (June 30, 2020: TL 20.598) and interest expense amounted to TL 11.037 (June 30, 2020: TL 8.186).

**XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES**

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

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**XVIII. EXPLANATIONS ON CONTINGENT ASSETS**

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

**XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the 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 6,84% (December 31, 2020: 3,82%).

As of June 30, 2021, actuarial loss amounted to TL 11.499 (December 31, 2020: TL 20.974 loss) is recognized under other income reserves in the financial statements.

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

**XX. EXPLANATIONS ON TAXATION**

**a) Current Tax:**

In accordance with Article 32 of the Corporate Tax Law No. 5520, which was published in the Official Gazette dated 21 June 2006 and numbered 26205, the Corporate Tax rate was determined as 20%. This rate is determined by the provisions of the 11th and 14th articles of the “Law on the Procedure for Collection of Public Claims and the Amendment of Certain Laws” published in the Official Gazette dated April 22, 2021 and numbered 31462. It has been rearranged as 25% for the corporate earnings for the 2021 accounting period and 23% for the 2022 accounting period earnings, starting from the declarations and being valid for the corporate earnings for the taxation period starting from January 1, 2021. According to this; In the second period temporary tax return to be submitted for the 2021 accounting period earnings, the tax rate will be 25%. The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and deducting the exemptions in the tax laws (such as the subsidiary earnings exception). 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.

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**XX. EXPLANATIONS ON TAXATION (Continued)**

**a) Current Tax (Continued):**

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

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

**b) Deferred Tax Asset/Liability:**

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

The Group calculated its deferred tax assets or liabilities 20% as of 31 December 2020 within the scope of 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. It will be applied as 20% for the taxation period after 2022. As of June 30, 2021, the Group evaluated its assets and liabilities according to their maturities and calculated deferred tax at the rate of 25%, 23% or 20% corresponding to the relevant maturities.

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 June 30, 2021, the Group has recognized deferred tax receivables amounting to TL 289.007 as assets (December 31, 2020: Deferred tax receivables amounting to TL 257.441 as assets).

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

**c) Transfer Pricing:**

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

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**XXI. EXPLANATIONS ON BORROWINGS**

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the consolidated financial statements enclosed, foreign currency borrowings are translated according to the Parent Bank’s period end exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognized in the financial statements. Also the Group provides resources through the bond issue. The Group has no convertible bonds as of June 30, 2021 and December 31, 2020.

**XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

As of June 30, 2021 and December 31, 2020, the Group has no issued share certificates.

**XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

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

**XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES**

As of June 30, 2021 and December 31, 2020, the Group has no government incentives.

**XXV. EXPLANATIONS ON OPERATING SEGMENTS**

Segment reporting is presented in Note XII of Section Four.

**XXVI. PROFIT RESERVES AND PROFIT DISTRIBUTION**

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

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

**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.

	<b>Current Period June 30, 2021</b>	<b>Prior Period June 30, 2020</b>
Net Earnings/(Loss) for the Period	390.585	115.824
Number of Shares	65.229.000.000	65.229.000.000
<b>Earnings/(Loss) per Share <sup>(*)</sup></b>	<b>0,005988</b>	<b>0,001776</b>

(\*) Amounts are expressed in full TL.

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**XXIX. CASH AND CASH EQUIVALENTS**

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

**XXX. RELATED PARTIES**

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

**XXXI. RECLASSIFICATIONS**

None.

**XXXII. OTHER MATTERS**

None.

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**SECTION FOUR**

**EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY**

Equity and Capital Adequacy Standard Ratio is calculated in accordance with “Communiqué on Measurement and Assessment of Capital Adequacy of Banks”, and “Communiqué on Equities of Banks”. As of June 30, 2021, equity of the Group and the Parent Bank is amounting to TL 5.489.396 and TL 5.418.121 respectively, and capital adequacy ratio of the Group and the Parent Bank is %17,17 and %17,02 respectively. As of December 31, 2020 equity of the Group and the Parent Bank is amounting to TL 5.208.493 and TL 5.123.764 respectively and the capital adequacy ratio was %17,08 and %16,87 respectively. Capital adequacy ratio of the Group is higher than the minimum rate required by the related regulations.

**a) Information About Consolidated Shareholders’ Equity Items:**

	Current Period June 30, 2021	Prior Period December 31, 2020
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	652.290
Share Premium	-	-
Reserves	2.899.890	2.488.156
Other Comprehensive Income according to TAS	(71.678)	9.735
Profit	390.585	452.732
Current Period Profit	390.585	452.732
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	-
Minorities' Share	-	-
<b>Common Equity Tier I Capital Before Deductions</b>	<b>3.871.087</b>	<b>3.602.913</b>
<b>Deductions From Common Equity Tier I Capital</b>		
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	11.499	20.974
Leasehold Improvements on Operational Leases	26.297	30.488
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	184.221	181.806
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	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>222.017</b>	<b>233.268</b>
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
<b>Total Common Equity Tier I Capital</b>	<b>3.851.356</b>	<b>3.673.075</b>

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

	Current Period June 30, 2021	Prior Period December 31, 2020
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties’ share in the Additional Tier I capital	-	-
Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	<b>-</b>
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
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 (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>3.851.356</b>	<b>3.673.075</b>
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.338.254	1.247.686
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties’ share in the Additional Tier II capital	-	-
Third parties’ share in the Additional Tier II capital (Covered by Temporary Article 3)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	328.811	325.004
<b>Total Deductions from Tier II Capital</b>	<b>1.667.065</b>	<b>1.572.690</b>
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	369	226
<b>Total Deductions from Tier II Capital</b>	<b>369</b>	<b>226</b>
<b>Total Tier II Capital</b>	<b>1.666.696</b>	<b>1.572.464</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>5.518.052</b>	<b>5.245.539</b>
<b>Amounts Deducted from Equity</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law	31	-
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	28.625	37.046
Other items to be Defined by the BRSA	-	-
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
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 CONSOLIDATED SHAREHOLDERS’  
EQUITY (Continued)**

	Current Period June 30, 2021	Prior Period December 31, 2020
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	5.489.396	5.208.493
Total Risk Weighted Assets	31.972.207	30.493.047
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated CET1 Capital Ratio (%)	12,05	12,05
Consolidated Tier I Capital Ratio (%)	12,05	12,05
Consolidated Capital Adequacy Ratio (%)	17,17	17,08
<b>BUFFERS</b>		
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 (%)	3,53	3,53
<b>Amounts Lower Than Excesses as per the Deduction Rules</b>		
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	-	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	1.177.334	1.157.925
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	328.811	325.004
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	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between January 1, 2018- January 1, 2022)</b>		
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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EQUITY (Continued)**

**b) Items Included in Consolidated Capital Calculation:**

<b>Information about instruments that will be included in total capital calculation: Details on Subordinated Liabilities:</b>	
Issuer	HSBC HOLDINGS PLC
Identifier(s) (CUSIP, ISIN vb.)	Subordinated Loans
Governing law (s) of the instrument	BRSA
<b>Regulatory treatment</b>	
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)	1.338
Nominal value of instrument	1.338
Accounting classification of the instrument	Liability - Subordinated Loan
Issuance date of instrument	28.04.2021
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
<b>Coupon/dividend payment</b>	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	LIBOR + 6,99%
Existence of any dividend payment restriction	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
<b>Convertible or non-convertible into equity shares</b>	
If convertible, conversion trigger (s)	In case of the possibility of cancelling the Bank's operational permit or transferring to the Fund; The principal amount and interest payment liabilities of the loan may be terminated in whole or in part in accordance with the decision of the Board in this direction or it may be converted into capital by complying with the required legislation.
If convertible, fully or partially	Fully convertible
If convertible, conversion rate	The conversion rate / value shall be calculated based on the market data in the case of the exercise of the right.
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
<b>Write-down feature</b>	
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 CONSOLIDATED SHAREHOLDERS' EQUITY (Continued)**

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

<b>EQUITY ITEMS</b>	<b>T</b>	<b>T-1</b>	<b>T-2</b>
Common Equity	3.851.356	3.750.213	3.649.070
Transition process not implemented Common Equity	3.649.070	3.649.070	3.649.070
Tier 1 Capital	3.851.356	3.750.213	3.649.070
Transition process not implemented Tier 1 Capital	3.649.070	3.649.070	3.649.070
Total Capital	5.489.396	5.388.253	5.287.110
Transition process not implemented Equity	5.287.110	5.287.110	5.287.110
<b>TOTAL RISK WEIGHTED AMOUNTS</b>			
Total Risk Weighted Amounts	31.972.207	31.972.207	31.972.207
<b>Capital Adequacy Ratio</b>			
Common Equity	12,05	11,73	11,41
Transition process not implemented Common Equity Ratio (%)	11,41	11,41	11,41
Tier 1 Capital	12,05	11,73	11,41
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	11,41	11,41	11,41
Capital	17,17	16,85	16,54
Transition process not implemented Capital Adequacy Ratio (%)	16,54	16,54	16,54
<b>LEVERAGE</b>			
Leverage Ratio Total Risk Amount	66.587.637	66.587.637	66.587.637
Leverage (%)	5,67	5,63	5,48
Transition process not implemented Leverage Ratio (%)	5,48	5,48	5,48

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

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

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

**d) Explanations on Reconciliation of Capital Items With Balance Sheet Amounts:**

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

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

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**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK**

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

**III. EXPLANATIONS ON CONSOLIDATED COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION**

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

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

**b) Hedge Against Foreign Exchange Debt Instruments and Net Foreign Exchange Investments By Hedging Derivative Instruments, If Material:**

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

**c) Management Policy For Foreign Currency Risk:**

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

**d) Current Foreign Exchange Bid Rates of The Parent Bank For The Last Five Business Days Prior to The Financial Statement Date:**

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

<b>Current Period – June 30, 2021</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	8,6806	10,2943
<b>Prior Balance Sheet Date</b>		
June 29, 2021	8,7283	10,3814
June 28, 2021	8,7100	10,3866
June 25, 2021	7,3405	10,4421
June 24, 2021	7,3003	10,3827
June 23, 2021	7,2756	10,3291
<b>Prior Period – December 31, 2020</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	7,4267	9,1029
<b>Prior Balance Sheet Date</b>		
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 CONSOLIDATED CURRENCY RISK (Continued)**

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

As of June 2021, the Group’s simple arithmetic average foreign exchange rate for USD is TL 8,6806 (December 2020: TL 7,7069) and exchange rate for Euro is TL 10,2943 (December 2020: TL 9,3823).

**f) Information Related to Group’s Currency Risk:**

<b>Current Period – June 30, 2021</b>	<b>Euro</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1.418.757	2.249.089	1.346.299	5.014.145
Banks	-	1.348.702	8.716	1.357.418
Financial Assets at Fair Value through Profit or Loss (Net) (***)	534.206	1.259.663	16.368	1.810.237
Interbank Money Market Placements	-	9.458.899	-	9.458.899
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	9.475.523	7.086.428	12.214	16.574.165
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	3.627	124.748	88	128.463
<b>Total Assets</b>	<b>11.432.113</b>	<b>21.527.529</b>	<b>1.383.685</b>	<b>34.343.327</b>
<b>Liabilities</b>				
Bank Deposits	102	24	-	126
Foreign Currency Deposits	5.980.668	16.211.998	6.822.064	29.014.730
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	1.888.735	1.496.290	-	3.385.025
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	569	220.281	2.070	222.920
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	417.906	1.404.482	17.465	1.839.853
<b>Total Liabilities</b>	<b>8.287.980</b>	<b>19.333.075</b>	<b>6.841.599</b>	<b>34.462.654</b>
<b>Net on Balance Sheet Position (****)</b>	<b>3.144.133</b>	<b>2.194.454</b>	<b>(5.457.914)</b>	<b>(119.327)</b>
<b>Net Off-Balance Sheet Position (****)</b>	<b>(2.735.614)</b>	<b>(1.896.222)</b>	<b>5.476.596</b>	<b>844.760</b>
Financial Derivative Assets	10.467.881	17.067.855	7.068.627	34.604.363
Financial Derivative Liabilities	13.203.495	18.964.077	1.592.031	33.759.603
Non-cash Loans	1.703.896	4.138.754	560.574	6.403.224
<b>Prior Period – December 31, 2020</b>				
Total Assets	12.893.581	11.036.918	1.369.500	25.299.999
Total Liabilities	4.839.213	16.765.806	6.173.572	27.778.591
<b>Net on-Balance Sheet Position</b>	<b>8.054.368</b>	<b>(5.728.888)</b>	<b>(4.804.072)</b>	<b>(2.478.592)</b>
<b>Net off-Balance Sheet Position</b>	<b>(7.851.066)</b>	<b>6.007.765</b>	<b>4.787.729</b>	<b>2.944.428</b>
Financial Derivative Assets	12.881.196	27.369.590	7.603.286	47.854.072
Financial Derivative Liabilities	20.732.262	21.361.825	2.815.557	44.909.644
Non-cash Loans	1.403.047	3.101.839	484.277	4.989.163

(\*) As of June 30, 2021, total loans amount consists foreign indexed loans amounting to TL 6.921 (December 31, 2020: TL 8.322).

(\*\*) Other liabilities consists derivative financial liabilities amounting to TL 1.697.523 (December 31, 2020: TL 1.508.553).

(\*\*\*) Financial assets at fair value through profit or loss consists derivative financial assets amounting to TL 1.729.026 (December 31, 2020: 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 CONSOLIDATED 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 Parent Bank managed interest rate and prepayment risks of mortgages and other long-term loans with derivative financial instruments efficiently taking into consideration cost-benefit analysis and reduced the risk against to the fluctuations in global and local markets.

**a) Interest Rate Sensitivity of Assets, Liabilities and Off-Balance Sheet Items (Based on repricing dates):**

<b>Current Period – June 30, 2021</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	4.230.561	-	-	-	-	1.027.543	5.258.104
Banks (*)	1.297.630	-	-	-	-	82.118	1.379.748
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	180.265	303.601	603.458	1.505.343	88.270	5.567	2.686.504
Interbank Money Market Placements (*)	14.030.272	-	-	-	-	-	14.030.272
Financial Assets at Fair Value Through Other Comprehensive Income	-	11.042	722.038	2.376.013	187.236	-	3.296.329
Loans	10.219.788	7.338.177	6.129.038	849.604	30.728	151.521	24.718.856
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.354	-	23	22.522	-	1.074.725	1.098.624
<b>Total Assets</b>	<b>29.959.870</b>	<b>7.652.820</b>	<b>7.454.557</b>	<b>4.753.482</b>	<b>306.234</b>	<b>2.341.474</b>	<b>52.468.437</b>
<b>Liabilities</b>							
Bank Deposits	136.367	-	-	-	-	179.982	316.349
Other Deposits	20.745.981	3.598.270	718.029	12.776	-	15.477.259	40.552.315
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	723.179	723.179
Issued Marketable Securities (Net)	-	1.030.900	-	-	-	-	1.030.900
Funds Borrowed	2.007.457	-	955.621	381.990	-	39.957	3.385.025
Other Liabilities (**)(***)	121.591	355.507	573.020	1.455.332	53.358	3.901.861	6.460.669
<b>Total Liabilities</b>	<b>23.011.396</b>	<b>4.984.677</b>	<b>2.246.670</b>	<b>1.850.098</b>	<b>53.358</b>	<b>20.322.238</b>	<b>52.468.437</b>
Balance Sheet Long Position	6.948.474	2.668.143	5.207.887	2.903.384	252.876	-	17.980.764
Balance Sheet Short Position	-	-	-	-	-	(17.980.764)	(17.980.764)
Off-Balance Sheet Long Position	-	-	14.912	-	-	-	14.912
Off-Balance Sheet Short Position	(125.553)	(106.550)	-	(1.414)	-	-	(233.517)
<b>Total Position</b>	<b>6.822.921</b>	<b>2.561.593</b>	<b>5.222.799</b>	<b>2.901.970</b>	<b>252.876</b>	<b>(17.980.764)</b>	<b>(218.605)</b>

(\*) 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 1.901.

(\*\*) 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 CONSOLIDATED INTEREST RATE RISK (Continued)**

<b>Prior Period – December 31, 2020</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey(*)	6.129.074	-	-	-	-	961.945	7.091.019
Banks	-	-	-	-	-	29.677	29.677
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	324.697	524.241	436.500	361.959	728.490	5.566	2.381.453
Interbank Money Market Placements(*)	3.333.610	-	-	-	-	-	3.333.610
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	346.278	4.538.035	130.612	-	5.014.925
Loans (*)	3.870.997	4.745.879	8.716.915	6.260.141	988.494	143.870	24.726.296
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	924	-	43	32.317	-	905.161	938.445
<b>Total Assets</b>	<b>13.659.302</b>	<b>5.270.120</b>	<b>9.499.736</b>	<b>11.192.452</b>	<b>1.847.596</b>	<b>2.046.219</b>	<b>43.515.425</b>
<b>Liabilities</b>							
Bank Deposits	497.127	-	-	-	-	163.952	661.079
Other Deposits	12.915.713	2.686.565	261.284	1.515	-	14.396.922	30.261.999
Funds from Interbank Money Market	1.242.251	-	-	-	-	-	1.242.251
Miscellaneous Payables	-	-	-	-	-	636.998	636.998
Issued Marketable Securities (Net)	-	-	951.920	-	-	-	951.920
Funds Borrowed	2.212.461	1.199.809	171.755	-	-	-	3.584.025
Other Liabilities (**)(***)	309.087	462.084	545.320	607.884	620.640	3.632.138	6.177.153
<b>Total Liabilities</b>	<b>17.176.639</b>	<b>4.348.458</b>	<b>1.930.279</b>	<b>609.399</b>	<b>620.640</b>	<b>18.830.010</b>	<b>43.515.425</b>
Balance Sheet Long Position	-	921.662	7.569.457	10.583.053	1.226.956	-	20.301.128
Balance Sheet Short Position	(3.517.337)	-	-	-	-	(16.783.791)	(20.301.128)
Off-Balance Sheet Long Position	-	-	172.291	-	-	-	172.291
Off-Balance Sheet Short Position	(602.601)	(22.845)	-	(14.500)	-	-	(639.946)
<b>Total Position</b>	<b>(4.119.938)</b>	<b>898.817</b>	<b>7.741.748</b>	<b>10.568.553</b>	<b>1.226.956</b>	<b>(16.783.791)</b>	<b>(467.655)</b>

(\*) 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 446.

(\*\*) 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:**

<b>Current Period – June 30, 2021</b>	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
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	-	0,05	-	19,20
Financial Assets at Fair Value Through Profit or Loss (Net)	3,80	4,04	-	15,57
Interbank Money Market Placements	-	0,04	-	19,33
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	18,84
Loans	3,54	3,99	-	17,80
Financial Assets Measured at Amortized Cost	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	14,92
Other Deposits	0,12	0,64	-	16,78
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Securities Issued (Net)	-	-	-	20,41
Funds Provided from Other Financial Institutions	5,28	2,17	-	-

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**V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)**

<b>Prior Period – December 31, 2020</b>	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	12,00
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	3,30	4,97	-	14,18
Interbank Money Market Placements	-	0,06	-	17,99
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	14,62
Loans	3,83	4,45	-	12,52
Financial Assets Measured at Amortized Cost	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	11,56
Other Deposits	0,07	0,38	-	12,87
Funds From Interbank Money Market	-	-	-	14,94
Miscellaneous Payables	-	-	-	-
Securities Issued (Net)	-	-	-	15,00
Funds Provided from Other Financial Institutions	2,25	4,26	-	-

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

**a. Position risk of equity securities in banking book:**

As of June 30, 2021, the Parent Bank has no financial assets that would cause a significant effect on its equity securities position (December 31, 2020: None).

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

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

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

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

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

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

In addition, current and planned liquidity positions of Parent 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 Parent Bank and its subsidiaries:**

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

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

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

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

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

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

**Information on liquidity risk mitigation techniques:**

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



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

**Explanation of the usage of stress test:**

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

**General Information on liquidity emergency and contingency plans:**

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

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the Parent Bank within this scope, liquidity stress tests have been launched by taking consideration of possible liquidity outflows and term-based cash flow changes, at the same time daily monitoring market variables and liquidity movements reported to the top management. The Parent Bank sources of funds are formed of customer deposits substantially and the need for funding to be provided from interbank markets is at a minimum. Within the scope of stress tests shared with the executives, without providing any new funds from the market, considering possible utilisation requests such as possible late payments on loans which are subject in LCR and deposit outflows, 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.

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

**Explanation regarding the components of high quality liquid assets:**

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

**Components density of fund resources in all funds:**

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

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

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

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

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

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

Current Period – 30.06.2021	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
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			17.968.643	12.725.637
<b>Cash Outflows</b>				
Real person and retail deposits	27.418.002	19.640.820	2.633.954	1.964.082
Stable deposits	2.156.917	-	107.845	-
Less stable deposits	25.261.085	19.640.820	2.526.109	1.964.082
Unsecured debts other than real person and retail deposits	12.880.795	7.507.539	6.255.345	3.132.306
Operational deposits	-	-	-	-
Non-operational deposits	11.787.044	7.467.052	5.161.594	3.091.820
Other unsecured debts	1.093.751	40.487	1.093.751	40.486
Secured debts	-	-	-	-
Other cash outflows	979.915	3.946.194	979.915	3.946.194
Derivative liabilities and collateral completion liabilities	979.915	3.946.194	979.915	3.946.194
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	11.355.698	5.833.407	1.364.454	946.431
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>11.233.668</b>	<b>9.989.013</b>
<b>Cash Inflows</b>				
Secured liabilities	-	-	-	-
Unsecured liabilities	6.752.244	3.411.359	4.886.973	2.528.563
Other cash inflows	113.333	2.678.019	113.333	2.678.019
<b>TOTAL CASH INFLOWS</b>	<b>6.865.577</b>	<b>6.089.378</b>	<b>5.000.306</b>	<b>5.206.582</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY</b>			<b>17.968.643</b>	<b>12.725.637</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>6.233.362</b>	<b>4.782.431</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>288.27</b>	<b>266.09</b>

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

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

	Current Period - 30.06.2021	
	TL+FC	FC
<b>Highest (%)</b>	<b>376,69</b>	<b>325,67</b>
<b>Date</b>	29.06.2021	04.05.2021
<b>Lowest (%)</b>	<b>224,30</b>	<b>210,63</b>
<b>Date</b>	31.05.2021	01.04.2021
<b>Average (%)</b>	<b>288,27</b>	<b>266,09</b>

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

Prior Period – 31.12.2020	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
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			10.189.172	6.918.562
<b>Cash Outflows</b>				
Real person and retail deposits	22.257.478	17.740.468	2.139.560	1.774.047
Stable deposits	1.723.748	-	86.187	-
Less stable deposits	20.533.730	17.740.468	2.053.373	1.774.047
Unsecured debts other than real person and retail deposits	10.137.859	5.530.064	4.858.435	2.307.234
Operational deposits	-	-	-	-
Non-operational deposits	9.718.022	5.502.238	4.438.598	2.279.408
Other unsecured debts	419.837	27.826	419.837	27.826
Secured debts	-	-	-	-
Other cash outflows	1.199.660	3.268.200	1.199.660	3.268.200
Derivative liabilities and collateral completion liabilities	1.199.660	3.268.200	1.199.660	3.268.200
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	9.983.846	4.588.274	1.223.546	829.342
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>9.421.201</b>	<b>8.178.823</b>
<b>Cash Inflows</b>				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.360.776	2.683.434	3.686.599	2.444.474
Other cash inflows	212.386	4.257.888	212.387	4.257.889
<b>TOTAL CASH INFLOWS</b>	<b>4.573.162</b>	<b>6.941.322</b>	<b>3.898.986</b>	<b>6.702.363</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY</b>			<b>10.189.172</b>	<b>6.918.562</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>5.522.215</b>	<b>2.044.706</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>184,51</b>	<b>338,36</b>

(\*) 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
<b>Highest (%)</b>	<b>307,17</b>	<b>429,62</b>
<b>Date</b>	23.11.2020	17.11.2020
<b>Lowest (%)</b>	<b>153,40</b>	<b>178,23</b>
<b>Date</b>	17.12.2020	12.10.2020
<b>Average (%)</b>	<b>184,51</b>	<b>338,36</b>

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

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

<b>Current Period – June 30, 2021</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated</b>	<b>Total</b>
<b>Assets</b>								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT <sup>(****)</sup>	1,027.543	4,230.561	-	-	-	-	-	5,258.104
Banks <sup>(****)</sup>	82.118	1,297.630	-	-	-	-	-	1,379.748
Financial Assets at Fair Value through Profit or Loss (Net) <sup>(***)</sup>	-	134.763	102.039	577.863	1,755.272	111.000	5.567	2,686.504
Interbank Money Market Placements <sup>(****)</sup>	-	14,030.272	-	-	-	-	-	14,030.272
Financial Assets at Fair Value through Other Comprehensive Income	-	-	11,042	722.038	2,376.013	187.236	-	3,296.329
Loans	-	5,629.611	4,090.830	8,205.359	5,641.058	1,000.477	151.521	24,718.856
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	1,354	-	23	22,522	-	1,074.725	1,098.624
<b>Total Assets</b>	<b>1,109.661</b>	<b>25,324.191</b>	<b>4,203.911</b>	<b>9,505.283</b>	<b>9,794.865</b>	<b>1,298.713</b>	<b>1,231.813</b>	<b>52,468.437</b>
<b>Liabilities</b>								
Bank Deposits	179.982	136.367	-	-	-	-	-	316.349
Other Deposits	15,477.259	20,745.981	3,598.270	718.029	12,776	-	-	40,552.315
Funds Provided from Other Financial Institutions	-	-	-	-	-	-	-	-
Money Market Borrowings	-	-	4,787	-	-	-	718,392	723,179
Issued Marketable Securities (Net)	-	-	1,030.900	-	-	-	-	1,030.900
Miscellaneous Payables	39,957	653,890	-	955,621	381,990	1,353,567	-	3,385,025
Other Liabilities <sup>(***)</sup>	-	93,314	237,655	562,499	1,617,715	53,144	3,896,342	6,460,669
<b>Total Liabilities</b>	<b>15,697.198</b>	<b>21,629.552</b>	<b>4,871.612</b>	<b>2,236.149</b>	<b>2,012.481</b>	<b>1,406.711</b>	<b>4,614.734</b>	<b>52,468.437</b>
<b>Net Liquidity Excess / (Gap)</b>	<b>14,587.537</b>	<b>3,694.639</b>	<b>(667.701)</b>	<b>7,269.134</b>	<b>7,782.384</b>	<b>(107.998)</b>	<b>(3,382.921)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>(115.873)</b>	<b>(147.681)</b>	<b>14.910</b>	<b>30.039</b>	<b>-</b>	<b>-</b>	<b>(218.605)</b>
Derivative Financial Assets	-	23,303.209	5,915.328	9,539.258	16,605.025	1,302.887	-	56,665.707
Derivative Financial Liabilities	-	23,419.082	6,063.009	9,524.348	16,574.986	1,302.887	-	56,884.312
Non-cash Loans	6,121.369	56.603	372.638	1,070.463	25.372	716	-	7,647.161
<b>Prior Period – December 31, 2020</b>								
Total Assets	991.622	12,541.536	4,448.700	10,761.352	11,662.908	2,054.710	1,054.597	43,515.425
Total Liabilities	14,560.874	14,896.614	3,682.796	2,932.880	2,375.923	802.477	4,263.861	43,515.425
<b>Net Liquidity Excess / (Gap)</b>	<b>13,569.252</b>	<b>(2,355.078)</b>	<b>765.904</b>	<b>7,828.472</b>	<b>9,286.985</b>	<b>1,252.233</b>	<b>(3,209.264)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(605.147)</b>	<b>(36.195)</b>	<b>170.872</b>	<b>2.815</b>	<b>-</b>	<b>-</b>	<b>(467.655)</b>
Derivative Financial Assets	-	35,757.031	7,566.225	8,267.709	11,014.865	6,906.647	-	69,512.477
Derivative Financial Liabilities	-	36,362.178	7,602.420	8,096.837	11,012.050	6,906.647	-	69,980.132
Non-cash Loans	5,041.745	103.215	282.423	810.991	40.768	615	-	6,279.757

(\*) 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 1,901

**c) Information on Securitization Positions:**

None.

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**VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO**

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

	<b>Current Period</b> <b>30.06.2021</b> <sup>(*)</sup>	<b>Prior Period</b> <b>31.12.2020</b> <sup>(*)</sup>
<b>Assets On the Balance Sheet</b>		
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	40.569.594	44.770.911
2 (Assets deducted from core capital)	(210.223)	(210.319)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	40.359.371	44.560.592
<b>Derivative Financial Instruments and Loan Derivatives</b>		
4 Renewal cost of derivative financial instruments and loan derivatives	314.310	884.240
5 Potential credit risk amount of derivative financial instruments and loan derivatives	568.391	345.254
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	882.701	1.229.494
<b>Financing Transactions with Securities or Goods Warranties</b>		
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	138.252	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)	138.252	73.322
<b>Off-the-Balance Sheet Transactions</b>		
10 Gross nominal amount of the off-the-balance sheet transactions	25.207.313	21.956.834
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)	25.207.313	21.956.834
<b>Capital and Total Risk</b>		
13 Core capital	3.775.379	3.618.495
14 Total risk amount (sum of lines 3,6,9 and 12)	66.587.637	67.820.242
<b>Transition Process Unapplied Leverage Ratio</b>		
15 Transition process unapplied leverage ratio (%)	5,67	5,34

(\*) Table represents three month average amounts.

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**IX. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Group, the following required tables have not been presented on June 30, 2021:

- 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:**

	Risk Weighted Amounts		Minimum
	Current Period June 30, 2021	Prior Period December 31, 2020	Capital Requirements Current Period June 30, 2021
Credit risk (excluding counterparty credit risk)	25.594.548	24.885.622	2.047.564
Standardised approach	25.594.548	24.885.622	2.047.564
Internal rating-based approach	-	-	-
Counterparty credit risk	710.295	1.114.658	56.824
Standardised approach for counterparty credit risk	710.295	1.114.658	56.824
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	2.074.163	1.523.913	165.933
Standardised approach	2.074.163	1.523.913	165.933
Internal model approaches	-	-	-
Operational risk	3.593.201	2.968.854	287.456
Basic indicator approach	3.593.201	2.968.854	287.456
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>Total</b>	<b>31.972.207</b>	<b>30.493.047</b>	<b>2.557.777</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**b. Credit Quality of Assets**

Provisions are allocated to the defaulted receivables at the relevant rates after considering the guarantees specified in the Provisions Regulation. There is no difference between “overdue” and “provision” definitions.

Current period 30 June 2021	Gross carrying values of (according to TAS)		Allowances / amortization and impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	613.354	25.706.167	461.833	25.857.688
Debt securities	-	4.161.416	75.047	4.086.369
Off-balance sheet receivables	5.071	23.986.256	1.263	23.990.064
<b>Total</b>	<b>618.425</b>	<b>53.853.839</b>	<b>538.143</b>	<b>53.934.121</b>

(\*) Includes factoring receivables amounting to TL 103.962.

Current period 31 December 2020	Gross carrying values of (according to TAS)		Allowances / amortization and impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans (*)	621.641	25.713.250	477.771	25.857.120
Debt securities	-	5.387.746	12.176	5.375.570
Off-balance sheet receivables	5.464	25.064.885	1.793	25.068.556
<b>Total</b>	<b>627.105</b>	<b>56.165.881</b>	<b>491.740</b>	<b>56.301.246</b>

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

	Current period 30 June 2021
<b>I. Defaulted loans and debt securities at the end of the previous reporting period</b>	<b>627.105</b>
II. Loans and debt securities that have defaulted since the last reporting period	22.987
III. Returned to non-defaulted status	-
IV. Amounts written off	311
V. Other changes (*)	31.356
<b>VI. Defaulted loans and debt securities at the end of the reporting period (I+II-III-IV±V)</b>	<b>618.425</b>

(\*) Includes collections during the period.

	Prior period 31 December 2020
<b>I. Defaulted loans and debt securities at the end of the previous reporting period</b>	<b>714.495</b>
II. Loans and debt securities that have defaulted since the last reporting period	48.775
III. Returned to non-defaulted status	-
IV. Amounts written off	38.177
V. Other changes (*)	(97.988)
<b>VI. Defaulted loans and debt securities at the end of the reporting period (I+II-III-IV±V)</b>	<b>627.105</b>

(\*) Includes collections during the period.



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**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**d. Credit risk mitigation techniques – overview:**

Current period 30 June 2021	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
Loans	24.251.793	1.605.895	1.535.933	-	-	-	-
Debt securities	4.086.369	-	-	-	-	-	-
<b>Total</b>	<b>28.338.162</b>	<b>1.605.895</b>	<b>1.535.933</b>	-	-	-	-
Of which defaulted	441.851	171.503	188.824	4.690	3.752	-	-

Current period 31 December 2020	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
Loans	24.713.834	1.143.286	1.002.541	-	-	-	-
Debt securities	5.375.570	-	-	-	-	-	-
<b>Total</b>	<b>30.089.404</b>	<b>1.143.286</b>	<b>1.002.541</b>	-	-	-	-
Of which defaulted	419.374	202.267	202.071	4.878	3.902	-	-

**e. Standardised Approach – Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects:**

Current period 30 June 2021	Exposures before credit conversion of factor and CRM		Exposures post-credit conversion of factor and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
<b>Asset classes</b>						
Exposures to central governments or central banks	7.495.804	878.584	7.495.804	314.184	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	7	82	7	1	8	% 100
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to internationals organizations	-	-	-	-	-	-
Exposures to institutions	2.520.255	1.246.789	2.520.257	787.735	1.256.287	% 38
Exposures to corporates	19.422.380	6.759.109	18.875.744	4.104.880	22.072.836	% 96
Retail exposures	2.885.708	3.837.369	2.579.224	198.505	2.088.161	% 75
Exposures secured by residential property	114.442	94	114.442	34	40.067	% 35
Exposures secured by commercial real estate	303.329	62.589	303.329	61.433	196.229	% 54
Past-due exposures	163.164	-	163.164	-	158.438	% 97
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
Other assets	1.206.028	17.419	1.206.026	13.479	492.817	% 40
Investment in equities	-	-	-	-	-	-
<b>Total</b>	<b>34.111.117</b>	<b>12.802.035</b>	<b>33.257.997</b>	<b>5.480.251</b>	<b>26.304.843</b>	<b>% 68</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

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

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**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**1. Standardised Approach – Exposures by asset classes and risk weights:**

<b>Current period</b>											
<b>30 June 2021</b>											
<b>Asset Classes / Risk Weight</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50% Real estate securities covered</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Other risk weights</b>	<b>Total risk amount</b>
Exposures to central governments or central banks	7.809.988	-	-	-	-	-	-	-	-	-	7.809.988
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	8	-	-	-	8
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	-	-	1.492.997	-	1.714.616	-	100.379	-	-	-	3.307.992
Exposures to corporates	-	-	273.607	-	1.377.804	-	21.329.213	-	-	-	22.980.624
Retail exposures	-	-	-	-	-	2.758.269	19.460	-	-	-	2.777.729
Exposures secured by residential property	-	-	-	114.476	-	-	-	-	-	-	114.476
Exposures secured by commercial real estate	-	-	-	-	337.067	-	27.695	-	-	-	364.762
Past-due exposures	-	-	-	-	47.092	-	78.431	37.641	-	-	163.164
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investment in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	726.688	-	-	-	-	-	492.817	-	-	-	1.219.505
<b>Total</b>	<b>8.536.676</b>	<b>-</b>	<b>1.766.604</b>	<b>114.476</b>	<b>3.476.579</b>	<b>2.758.269</b>	<b>22.048.003</b>	<b>37.641</b>	<b>-</b>	<b>-</b>	<b>38.738.248</b>

“(\*)The amount shown in the line ‘Receivables secured by a commercial real estate mortgage’ is ‘collateralized with a real estate mortgage’ and the other amounts stated in this column show the receivables subject to 50% risk weight.”

<b>Prior period</b>											
<b>31 December 2020</b>											
<b>Asset Classes / Risk Weight</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50% Real estate securities covered</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Other risk weights</b>	<b>Total risk amount</b>
Exposures to central governments or central banks	11.684.829	-	-	-	-	-	-	-	-	-	11.684.829
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	39	-	-	-	39
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	-	-	245.760	-	2.246.906	-	208.966	4.606	-	-	2.706.238
Exposures to corporates	-	-	414.432	-	1.043.930	-	20.198.830	-	-	-	21.657.192
Retail exposures	-	-	-	-	-	2.766.175	18.758	-	-	-	2.784.933
Exposures secured by residential property	-	-	-	140.352	-	-	-	-	-	-	140.352
Exposures secured by commercial real estate	-	-	-	-	1.830.166	-	107.101	-	-	-	1.937.267
Past-due exposures	-	-	-	-	48.902	-	75.203	32.625	-	-	156.730
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investment in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	912.034	-	-	-	-	-	494.791	-	-	-	1.406.825
<b>Total</b>	<b>12.596.863</b>	<b>-</b>	<b>660.192</b>	<b>140.352</b>	<b>5.169.904</b>	<b>2.766.175</b>	<b>21.103.688</b>	<b>37.231</b>	<b>-</b>	<b>-</b>	<b>42.474.405</b>

“(\*)The amount shown in the line ‘Receivables secured by a commercial real estate mortgage’ is ‘collateralized with a real estate mortgage’ and the other amounts stated in this column show the receivables subject to 50% risk weight.”

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**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**g. Analysis of counterparty credit risk exposure by approach:**

<b>Current period 30 June 2021</b>	<b>Replacement cost</b>	<b>Potential future exposure</b>	<b>EEPE</b>	<b>Alpha used for computing regulatory exposure at default</b>	<b>Exposure at default post CRM</b>	<b>RWA</b>
Standardised Approach (for derivatives)	76.795	512.365		1,4	589.160	482.939
Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					125.659	25.132
VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
<b>Total</b>						<b>508.071</b>

<b>Prior period 31 December 2020</b>	<b>Replacement cost</b>	<b>Potential future exposure</b>	<b>EEPE</b>	<b>Alpha used for computing regulatory exposure at default</b>	<b>Exposure at default post CRM</b>	<b>RWA</b>
Standardised Approach (for derivatives)	755.120	313.881		1,4	1.069.001	766.359
Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					53.584	8.490
VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					53.584	8.490
<b>Total</b>						<b>774.849</b>

**h. Credit valuation adjustment (CVA) capital charge:**

<b>Current period 30 June 2019</b>	<b>Exposure at default post - CRM</b>	<b>RWA</b>
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk (VaR) component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardised CVA capital charge	710.295	202.224
<b>Total subject to the CVA capital charge</b>	<b>710.295</b>	<b>202.224</b>

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**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

<b>Prior period 31 December 2020</b>	<b>Exposure at default post - CRM</b>	<b>RWA</b>
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital charge	1.114.658	339.808
<b>Total subject to the CVA capital charge</b>	<b>1.114.658</b>	<b>339.808</b>

**i. Standardised approach of CCR exposures by regulatory portfolio and risk weights:**

<b>Current Period - 30 June 2021</b>									<b>Total credit exposure (*)</b>
<b>Risk weight</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Others</b>	
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	25.766	91.766	-	72.098	-	-	189.630
Corporates	-	-	-	-	-	508.284	-	-	508.284
Retail portfolios	-	-	-	-	-	12.381	-	-	12.381
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>25.766</b>	<b>91.766</b>	<b>-</b>	<b>592.763</b>	<b>-</b>	<b>-</b>	<b>710.295</b>

(\*) The amount relevant for the capital requirements calculation, having applied CRM techniques

<b>Prior period - 31 December 2020</b>									<b>Total credit exposure (*)</b>
<b>Risk weight</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Others</b>	
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	10.681	172.633	-	136.802	-	-	320.116
Corporates	-	-	-	-	-	781.985	-	-	781.985
Retail portfolios	-	-	-	-	-	12.557	-	-	12.557
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>10.681</b>	<b>172.633</b>	<b>-</b>	<b>931.344</b>	<b>-</b>	<b>-</b>	<b>1.114.658</b>

(\*) The amount relevant for the capital requirements calculation, having applied CRM techniques

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**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**j. Composition of collateral for CCR exposure:**

Current period 30 June 2021	Collaterals for Derivatives				Collaterals for Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash-Local Currency	-	-	-	-	-	-
Cash – Foreign Currency	214.323	-	-	-	-	-
Government bond/bill- local	-	-	-	-	4.737.362	-
Government bond/bill - other	-	-	-	-	8.407.135	-
Publicly Establish bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	-
Equity Share	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
<b>Total</b>	<b>214.323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13.144.497</b>	<b>-</b>

Prior period 31 December 2020	Collaterals for Derivatives				Collaterals for Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash-Local Currency	-	-	-	-	1.242.289	-
Cash – Foreign Currency	165.244	-	310.434	-	-	-
Government bond/bill- local	-	-	-	-	2.240.457	-
Government bond/bill - other	-	-	-	-	1.088.528	-
Publicly Establish bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	-
Equity Share	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
<b>Total</b>	<b>165.244</b>	<b>-</b>	<b>310.434</b>	<b>-</b>	<b>4.571.274</b>	<b>-</b>

**k. Standardised approach:**

	Current Period 30 June 2021	Prior Period 31 December 2020
	RWA	RWA
Outright products		
Interest rate risk (general and specific)	798.050	754.402
Equity risk (general and specific)	11.125	11.125
Foreign exchange risk	858.378	538.009
Commodity risk	396.160	205.614
Options		
Simplified approach	-	-
Delta-plus method	10.450	14.763
Scenario approach	-	-
Securitization	-	-
<b>Total</b>	<b>2.074.163</b>	<b>1.523.913</b>

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

Not disclosed in compliance with interim financial statements.

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

Not disclosed in compliance with interim financial statements.

**XII. EXPLANATIONS ON OPERATING SEGMENTS**

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

In the retail banking segment, the 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 Parent Bank provides marketable securities transactions, gold and foreign exchange transactions, derivative transactions and money market transactions services to its customers.

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Group's Total Activities
<b>Current Period – June 30, 2021</b>					
Operating Income	363.384	654.651	306.822	16.859	1.341.716
Other	-	-	-	-	-
<b>Operating Income</b>	<b>363.384</b>	<b>654.651</b>	<b>306.822</b>	<b>16.859</b>	<b>1.341.716</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(70.718)	404.348	166.482	1.852	501.964
<b>Profit before Tax</b>	<b>(70.718)</b>	<b>404.348</b>	<b>166.482</b>	<b>1.852</b>	<b>501.964</b>
Corporate Tax Provision <sup>(*)</sup>	-	-	-	(111.379)	(111.379)
<b>Profit after Tax</b>	<b>(70.718)</b>	<b>404.348</b>	<b>166.482</b>	<b>(109.527)</b>	<b>390.585</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(70.718)</b>	<b>404.348</b>	<b>166.482</b>	<b>(109.527)</b>	<b>390.585</b>
Segment Assets	3.531.262	14.927.259	34.009.696	-	52.468.217
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>3.531.262</b>	<b>14.927.259</b>	<b>34.009.696</b>	<b>220</b>	<b>52.468.437</b>
Segment Liabilities	27.806.947	13.462.962	6.107.659	1.231.281	48.608.849
Undistributed Liabilities	-	-	-	3.859.588	3.859.588
<b>Total Liabilities</b>	<b>27.806.947</b>	<b>13.462.962</b>	<b>6.107.659</b>	<b>5.090.869</b>	<b>52.468.437</b>
<b>Other Segment Items</b>	<b>(82.566)</b>	-	<b>(3.744)</b>	<b>(23.141)</b>	<b>(109.451)</b>
Capital Investment	-	-	-	42.764	42.764
Amortization	-	-	-	(65.905)	(65.905)
Impairment	-	-	(3.744)	-	(3.744)
Non-Cash Other Income-Expense <sup>(**)</sup>	(82.566)	-	-	-	(82.566)

<sup>(\*)</sup> Corporate tax provision is not distributed.

<sup>(\*\*)</sup> 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	Group's Total Other	Group's Total Activities
<b>Prior Period – December 31, 2020 <sup>(***)</sup></b>					
Operating Income	403.115	477.881	369.234	(13.859)	1.236.371
Other	-	-	-	-	-
<b>Operating Income</b>	<b>403.115</b>	<b>477.881</b>	<b>369.234</b>	<b>(13.859)</b>	<b>1.236.371</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(146.816)	110.092	218.124	5.511	186.911
<b>Profit before Tax</b>	<b>(146.816)</b>	<b>110.092</b>	<b>218.124</b>	<b>5.511</b>	<b>186.911</b>
Corporate Tax Provision <sup>(*)</sup>	-	-	-	(71.087)	(71.087)
<b>Profit after Tax</b>	<b>(146.816)</b>	<b>110.092</b>	<b>218.124</b>	<b>(65.576)</b>	<b>115.824</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(146.816)</b>	<b>110.092</b>	<b>218.124</b>	<b>(65.576)</b>	<b>115.824</b>
Segment Assets	3.278.318	14.345.651	25.891.236	-	43.515.205
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>3.278.318</b>	<b>14.345.651</b>	<b>25.891.236</b>	<b>220</b>	<b>43.515.425</b>
Segment Liabilities	21.833.410	10.684.154	5.990.330	1.425.592	39.933.486
Undistributed Liabilities	-	-	-	3.581.939	3.581.939
<b>Total Liabilities</b>	<b>21.833.410</b>	<b>10.684.154</b>	<b>5.990.330</b>	<b>5.007.531</b>	<b>43.515.425</b>
<b>Other Segment Items</b>	<b>562.702</b>	<b>-</b>	<b>(7.746)</b>	<b>(2.999)</b>	<b>551.957</b>
Capital Investment	-	-	-	51.716	51.716
Amortization	-	-	-	(54.715)	(54.715)
Impairment	-	-	(7.746)	-	(7.746)
Non-Cash Other Income-Expense <sup>(**)</sup>	562.702	-	-	-	562.702

(\*) Corporate tax provision is not distributed.

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

(\*\*\*) Items of income and expense are the amounts for the period ended June 30, 2020.



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**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED  
FINANCIAL STATEMENTS**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS**

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

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

	Current Period June 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Cash/Foreign Currency The CBRT	73.090	795.893	74.523	763.208
	171.717	4.218.252	121.663	6.132.889
<b>Total</b>	<b>244.807</b>	<b>5.014.145</b>	<b>196.186</b>	<b>6.896.097</b>

**2. Information related to balances with the CBRT:**

	Current Period June 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Unrestricted Demand Deposit	149.104	9.487	116.499	8.265
Unrestricted Time Deposit	22.613	-	5.164	2.594.328
Restricted Time Deposit	-	-	-	-
Reserve Requirements	-	4.208.765	-	3.530.296
<b>Total</b>	<b>171.717</b>	<b>4.218.252</b>	<b>121.663</b>	<b>6.132.889</b>

**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 June 30, 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% - 21% for FC deposits (December 31, 2020: 5% - 22%).

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

**b) Information on Financial Assets at Fair Value Through Profit or Loss:**

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

	Current Period June 30, 2021	Prior Period December 31, 2020
Collateral/Blocked	-	-
Repurchase Agreement	-	-
Unrestricted	784.473	355.078
<b>Total</b>	<b>784.473</b>	<b>355.078</b>

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

	Current Period June 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Forward Transactions	113	187.656	684	302.988
Swap Transactions	167.325	300.443	408.240	384.481
Futures Transactions	-	-	-	-
Options	-	1.240.927	-	924.415
Other	-	-	-	-
<b>Total</b>	<b>167.438</b>	<b>1.729.026</b>	<b>408.924</b>	<b>1.611.884</b>

**c) Information on Banks:**

**1. Information on banks and other financial institutions:**

	Current Period June 30, 2021		Prior Period December 31, 2020	
	TL	FC	TP	YP
<b>Banks</b>				
Domestic	22.335	-	2.584	-
Foreign	-	1.357.418	-	27.102
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>22.335</b>	<b>1.357.418</b>	<b>2.584</b>	<b>27.102</b>

**2. Information on foreign bank accounts:**

Not disclosed in compliance with interim financial statements.

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**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:**

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Collateral/Blocked	1.557.284	1.662.904
Repurchase Agreement	-	1.243.581
Unrestricted	1.739.045	2.108.440
<b>Total</b>	<b>3.296.329</b>	<b>5.014.925</b>

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

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
<b>Debt Securities</b>	<b>3.370.819</b>	<b>5.026.843</b>
Quoted to Stock Exchange	3.370.819	5.026.843
Not Quoted	-	-
<b>Share Certificate</b>	<b>-</b>	<b>-</b>
Quoted to Stock Exchange	-	-
Not Quoted	-	-
<b>Impairment Provision (-)</b>	<b>74.490</b>	<b>11.918</b>
<b>Total</b>	<b>3.296.329</b>	<b>5.014.925</b>

**e) Information Related to Loans:**

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

	<b>Current Period June 30, 2021</b>		<b>Prior Period December 31, 2020</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
<b>Direct Loans Granted to Shareholders</b>	<b>-</b>	<b>54.594</b>	<b>-</b>	<b>70.035</b>
Corporate Shareholders	-	54.594	-	70.035
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	<b>349</b>	<b>428.904</b>	<b>49.609</b>	<b>465.254</b>
<b>Loans Granted to Employees</b>	<b>15.640</b>	<b>-</b>	<b>16.519</b>	<b>-</b>
<b>Total</b>	<b>15.989</b>	<b>483.498</b>	<b>66.128</b>	<b>535.289</b>

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

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

Cash Loans	Standard Loans	Loans under Close Monitoring		
		Loans not Subject to Restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
<b>Non-specialized Loans<sup>(*)</sup></b>	<b>18.541.270</b>	<b>4.636.107</b>	<b>2.528.790</b>	-
Discount Notes	11.473.500	3.557.785	2.391.974	-
Export Loans	1.072.245	16.113	108.507	-
Import Loans	1.979.447	647.622	-	-
Loans Given to Financial Sector	1.299.527	-	-	-
Retail Loans	1.134.282	111.874	2.328	-
Credit Cards	1.575.190	302.713	25.981	-
Other	7.079	-	-	-
<b>Specialized Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>18.541.270</b>	<b>4.636.107</b>	<b>2.528.790</b>	-

<sup>(\*)</sup> Includes the factoring receivables amounting to TL 103.962.

	Current Period June 30, 2021		Prior Period December 31, 2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	112.896	-	145.629	-
Significant Increase in Credit Risk	-	1.025.936	-	985.195
<b>Total</b>	<b>112.896</b>	<b>1.025.936</b>	<b>145.629</b>	<b>985.195</b>

**3. Breakdown of loans according to their maturities:**

Not disclosed in compliance with interim financial statements.

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

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

	Short-term	Medium and Long-term	Total
<b>Consumer Loans-TL</b>	<b>84.124</b>	<b>1.040.738</b>	<b>1.124.862</b>
Mortgage Loans	-	204.753	204.753
Vehicle Loans	3.552	61.499	65.051
Consumer Loans	80.572	773.514	854.086
Other	-	972	972
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>375</b>	<b>375</b>
Mortgage Loans	-	375	375
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>1.863.451</b>	<b>19.607</b>	<b>1.883.058</b>
Instalment	615.943	19.607	635.550
Non Instalment	1.247.508	-	1.247.508
<b>Individual Credit Cards-FC</b>	<b>6.086</b>	<b>-</b>	<b>6.086</b>
Instalment	517	-	517
Non Instalment	5.569	-	5.569
<b>Personnel Loans-TL</b>	<b>543</b>	<b>8.382</b>	<b>8.925</b>
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	543	8.382	8.925
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>6.670</b>	<b>3</b>	<b>6.673</b>
Instalment	3.142	3	3.145
Non Instalment	3.528	-	3.528
<b>Personnel Credit Cards-FC</b>	<b>42</b>	<b>-</b>	<b>42</b>
Instalment	-	-	-
Non Instalment	42	-	42
<b>Overdraft Account-TL (Individual)</b>	<b>114.322</b>	<b>-</b>	<b>114.322</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>2.075.238</b>	<b>1.069.105</b>	<b>3.144.343</b>

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

	Short-term	Medium and Long-term	Total
<b>Commercial Instalment Loans-TL</b>	-	6.883	6.883
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	6.883	6.883
Other	-	-	-
<b>Commercial Instalment Loans- FC Indexed</b>	-	22.389	22.389
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	22.389	22.389
Other	-	-	-
<b>Commercial Instalment Loans-FC</b>	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	7.012	-	7.012
Instalment	768	-	768
Non Instalment	6.244	-	6.244
<b>Corporate Credit Cards-FC</b>	1.013	-	1.013
Instalment	-	-	-
Non Instalment	1.013	-	1.013
<b>Overdraft Account-TL (Commercial)</b>	-	-	-
<b>Overdraft Account-FC (Commercial)</b>	-	-	-
<b>Total</b>	<b>8.025</b>	<b>29.272</b>	<b>37.297</b>

**6. Loans according to types of borrowers:**

Not disclosed in compliance with interim financial statements.

**7. Distribution of domestic and foreign loans:**

	Current Period June 30, 2021	Prior Period December 31, 2020
Domestic Loans	25.405.456	25.336.102
Foreign Loans	300.711	377.148
<b>Total (*)</b>	<b>25.706.167</b>	<b>25.713.250</b>

(\*) As of June 30, 2021, includes the factoring receivables amounting to TL 103.962 (December 31, 2020: TL 59.847).

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

**8. Loans granted to investments in associates and subsidiaries:**

As of June 30, 2021 and December 31, 2020, the Group has no loans granted to investments in associates and subsidiaries.

**9. Specific provisions provided against loans:**

	Current Period June 30, 2021	Prior Period December 31, 2020
Loans with Limited Collectability	334	487
Loans with Doubtful Collectability	16.533	17.650
Uncollectible Loans	444.966	459.634
<b>Total</b>	<b>461.833</b>	<b>477.771</b>

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

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

	III. Group Loans with Limited Collectability and other receivables	IV. Group Loans with Doubtful Collectability and other receivables	V. Group Uncollectible Loans and other receivables
<b>Current Period: June 30, 2021</b>			
Gross Amounts Before Provisions	-	-	83.580
Rescheduled Loans	-	-	83.580
<b>Prior Period: December 31, 2020</b>			
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 and Other Receivables	IV. Group Loans with Doubtful Collectability and Other Receivables	V. Group Uncollectible Loans and Other Receivables
<b>Balance at the end of Prior Period: December 31, 2020</b>	<b>1.034</b>	<b>22.797</b>	<b>597.810</b>
Additions (+)	1.191	21.423	373
Transfers from Other Categories of Non-Performing Loans (+)	-	1.290	18.887
Transfers to Other Categories of Non-Performing Loans (-)	1.290	1.887	-
Collections (-)	359	5.456	25.148
Write-offs (-)	-	-	311
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Balance at the End of the Period: June 30, 2021</b>	<b>576</b>	<b>21.167</b>	<b>591.611</b>
Provisions (-)	334	16.533	444.966
<b>Net Balance in Balance Sheet</b>	<b>242</b>	<b>4.634</b>	<b>146.645</b>

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

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

As of June 30, 2021, 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 Loans with Limited Collectability and other receivables	IV. Group Loans with Doubtful Collectability and other receivables	V. Group Uncollectible Loan and other receivables
<b>Current Period (Net): June 30, 2021</b>	<b>242</b>	<b>4.634</b>	<b>146.645</b>
Loans granted to corporate entities and real persons (Gross)	576	21.167	591.611
Provisions Amount (-)	334	16.533	444.966
Loans granted to corporate entities and real persons (Net)	242	4.634	146.645
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-
<b>Prior Period (Net): December 31, 2020</b>	<b>547</b>	<b>5.147</b>	<b>138.176</b>
Loans granted to corporate entities and real persons (Gross)	1.034	22.797	597.810
Provisions Amount (-)	487	17.650	459.634
Loans granted to corporate entities and real persons (Net)	547	5.147	138.176
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-
	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period (Net)</b>	<b>34</b>	<b>296</b>	<b>6.370</b>
Interest Accruals and Rediscount with Valuation Differences	34	2.028	16.281
Provision amount (-)	-	1.732	9.911
<b>Prior Period (Net)</b>	<b>53</b>	<b>1.086</b>	<b>5.558</b>
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 Parent Bank's top management occurs.

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

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



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**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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 June 30, 2021, the Group 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:**

As of June 30 2021, the Group has no government debt securities measured at amortized (December 31, 2020: None).

**3. Information on financial assets measured at amortized cost:**

As of June 30, 2021, the Group has no financial assets measured at amortized cost (December 31, 2020: None).

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

As of June 30, 2021, the Group has no movements of financial assets measured at amortized cost within the period (December 31, 2020: None).

**g) Information on Associates (Net):**

The Group has no associates as of June 30, 2021 and December 31, 2020.

**h) Information on Subsidiaries (Net):**

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

**a) Unconsolidated subsidiaries:**

Title	Address (City/Country)	The 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	-

**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
2.964	2.963	-	-	-	344	306	-

(\*) Prepared with the non-reviewed financial statements as of June 30, 2021.

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**2. Information on the consolidated subsidiaries:**

The Parent Bank, 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 new merged company to HSBC Yatırım Menkul Değerler A.Ş. was agreed and the merger of these two companies was accomplished as of January 11, 2002. HSBC Yatırım Menkul Değerler A.Ş. participated in 100% shares of HSBC Portföy Yönetim A.Ş. as a founder as of August 13, 2003.

**a) Consolidated Subsidiaries:**

Title	Address (City/Country)	The Parent 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
177.156	119.262	3.756	6.866	946	47.610	33.905	-

(\*) Prepared with audited prior period financial as of December 31, 2020.

(\*\*) Prepared with audited prior period financial as of December 31, 2019.

**3. Movement schedule of the consolidated subsidiaries:**

	Current Period June 30, 2021	Prior Period December 31, 2020
<b>Balance at the Beginning of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Movements During the Period</b>	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Provision Decrease of Valuation	-	-
<b>Balance at the End of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of the Period (%)</b>	<b>100,00</b>	<b>100,00</b>

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

	Current Period June 30, 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 Group has no subsidiaries quoted on a stock exchange as of June 30, 2021 and December 31, 2020.

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

**i) Information on Jointly Controlled Entities:**

1. The Group has no jointly controlled entities as of June 30, 2021 and December 31, 2020.
2. As of June 30, 2021 and December 31, 2020, the accounting method is not determined since the Group has no jointly controlled entities.

**j) Information on Financial Lease Receivables (Net):**

As of June 30, 2021 and December 31, 2020, the Group has no finance leases.

**k) Information on Hedging Derivative Financial Assets:**

The Group has no hedging of derivative financial assets as of June 30, 2021 and December 31, 2020.

**l) Explanations on Property and Equipment:**

Not disclosed in compliance with interim financial statements.

**m) Information on Intangible Assets:**

Not disclosed in compliance with interim financial statements.

**n) Information on the Investment Properties:**

As of June 30, 2021 and December 31, 2020, the Group has no investment properties.

**o) Explanations on Deferred Tax Asset:**

As of June 30, 2021, foreign currency deferred tax asset of the Group is TL 289.007 (December 31, 2020: TL 257.441). Temporary differences subject to deferred tax calculation result from mainly the loan provisions to be deducted from tax, other provision set aside with 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 Group, are netted-off and accounted. As of June 30, 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 June 31, 2021, assets held for sale of the Group is TL 909 (December 31, 2020: TL 1.221).

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

**r. Information on Other Assets:**

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

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Miscellaneous Receivables (*)	129.705	124.158
Prepaid Expenses	76.437	68.236
Debited Suspense Accounts	171.104	58.243
Other Rediscount Income (**)	31.261	16.932
Other Assets	6.450	8.756
<b>Total</b>	<b>414.957</b>	<b>276.325</b>

(\*) Includes BIST and derivative securities. The previous period includes derivative collaterals in addition to BIST collaterals.

(\*\*) As of June 31, 2021 amount of TL 3.299 provision provided for Miscellaneous Receivables within the scope of TFRS 9 (December 31, 2020: TL 380).

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

As of June 30, 2021 and December 31, 2020, the Group has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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**II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES**

**a) Information on Deposits**

**1. Information on maturity structure of the deposits:**

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

**1(i). Current Period – June 30, 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	431.196	-	1.514.557	4.399.165	713.059	433.717	199.791	-	7.691.485
	10.114.71	-	5.676.890	7.710.053	265.023	414.528	134.704	-	24.315.917
Foreign Currency Deposits	9	-	5.470.472	7.044.827	153.014	374.592	66.585	-	22.047.011
Residents in Turkey	8.937.521	-	206.418	665.226	112.009	39.936	68.119	-	2.268.906
Residents Abroad	1.177.198	-	-	-	-	-	-	-	2.787
Public Sector Deposits	2.787	-	2.905.985	223.869	71.809	30.020	-	-	3.838.286
Commercial Deposits	606.603	-	357	-	-	-	-	-	5.029
Other Institutions Deposits	4.672	-	35.384	332.275	8.919	4.559	392	-	4.698.811
Precious Metal Deposit	4.317.282	-	136.367	-	-	-	-	-	316.349
Bank Deposit	179.982	-	-	-	-	-	-	-	-
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	179.982	-	136.367	-	-	-	-	-	316.349
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>15.657.241</b>	<b>-</b>	<b>10.269.540</b>	<b>12.665.362</b>	<b>1.058.810</b>	<b>882.824</b>	<b>334.887</b>	<b>-</b>	<b>40.868.664</b>

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

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

**2. Information on Saving Deposits Insurance:**

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

	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Current Period June 30, 2021	Current Period June 30, 2021	Prior Period December 31, 2020	Prior Period December 31, 2020
<b>Saving Deposits</b>				
Saving Deposits	2.763.078	4.928.408	2.088.283	2.341.246
Foreign Currency Saving Deposits	3.325.909	12.415.443	3.366.384	9.692.579
Other Deposits in the Form of Saving Deposits	676.065	3.835.520	722.277	3.646.937
Foreign Branches’ Deposits under Foreign Authorities’ Insurance Coverage	-	-	-	-
Off-Shore Banking Regions’ Deposits under Foreign Authorities’ Insurance Coverage	-	-	-	-
<b>Total</b>	<b>6.765.052</b>	<b>21.179.371</b>	<b>6.176.944</b>	<b>15.680.762</b>

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

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

	Current Period June 30, 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 warship	27.351	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	-	-

**b) Information on Trading Derivative Financial Liabilities:**

**Table of negative differences for trading derivative financial liabilities:**

	Current Period June 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Forward Transactions	103	208.747	-	179.701
Swap Transactions	126.436	246.551	374.618	402.235
Future Transactions	-	-	-	-
Options	-	1.242.225	-	926.617
Other	-	-	-	-
<b>Total</b>	<b>126.539</b>	<b>1.697.523</b>	<b>374.618</b>	<b>1.508.553</b>

**c) Information on Funds Provided Under Repurchase Agreements:**

As of June 30, 2021 Group has no funds from repo transactions. (December 31, 2020: TL 1.242.251).

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**d) Information on Funds Borrowed:**

**1. Information on banks and other financial institutions:**

	Current Period June 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	-	-
Foreign Banks and Institutions and Funds	-	2.031.421	-	1.931.228
<b>Total</b>	-	<b>2.031.421</b>	-	<b>1.931.228</b>

**2. Information on the maturity structure of funds borrowed:**

	Current Period June 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Short-Term	-	39.957	-	742.670
Medium and Long-Term	-	1.991.464	-	1.188.558
<b>Total</b>	-	<b>2.031.421</b>	-	<b>1.931.228</b>

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

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

**e) Information on Marketable Securities Issued:**

	Current Period June 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Banka Bonoları	1.030.900	-	951.920	-
Tahviller	-	-	-	-
<b>Total</b>	<b>1.030.900</b>	-	<b>951.920</b>	-

**f) Information on Foreign Other Liabilities:**

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

**g) Information on Financial Leasing Agreements:**

**1. Explanations on finance lease payables**

With the “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 June 30, 2021	Prior Period December 31, 2020
	Less than 1 year	2.450
Between 1- 4 years	50.137	39.262
More than 4 years	58.680	58.458
<b>Total</b>	<b>111.267</b>	<b>102.956</b>

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

**h) Information on Derivative Financial Liabilities for Hedging Purposes:**

As of June 30, 2021, the Group has no derivative financial liabilities for hedging purposes (December 31, 2020: None).

**i) Information on Provisions:**

**1. Information on general provisions:**

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Provisions for off-balance sheet commitments (*)	36.601	24.664

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

**2. Information on employee benefit provisions:**

As of June 30, 2021, the Group has employee termination benefit provision amounting to TL 54.134 (December 31, 2020: TL 62.161), and unused vacation provision amounting to TL 19.685 (December 31, 2020: TL 12.231).

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 7.638,96 (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 Group's liabilities.

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Group is calculated from the ceiling amount valid from July 1, 2021, TL 7.638,96 (full TL) (December 31, 2020: TL 7.117,17 (full TL)).

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
As of January 1	62.161	57.901
Service Cost	2.048	3.979
Interest Cost	3.940	6.762
Actuarial Loss / (Gain)	(11.940)	(5.017)
Paid in Current Period	(2.075)	(1.464)
<b>Total</b>	<b>54.134</b>	<b>62.161</b>



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

As of June 30, 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 June 30, 2021, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.263 (December 31, 2020: TL 1.793).

**5. Information on restructuring provisions:**

As of June 30, 2021, None (December 31, 2020: None)

**6. Information on other provisions:**

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

As of June 30, 2021, the Group 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:**

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Provision for Lawsuits	42.197	37.395
Provision for Accumulated Credit Card Bonus	2.777	2.962
Return Provision of Case File Expenses	361	298
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.263	1.793
Other Provisions (*)	60.367	67.891
<b>Total</b>	<b>106.965</b>	<b>110.339</b>

(\*) As of June 30, 2021, other provisions amounting TL 36.601 (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 CONSOLIDATED LIABILITIES (Continued)**

**j) Explanations on Tax Liability:**

**1. Explanations on current tax liability:**

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

**1(i). Information on taxes payable:**

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Taxation on Marketable Securities	11.890	25.548
Banking Insurance Transaction Tax (BITT)	16.527	14.319
Corporate Taxes Payable	1.695	1.132
Capital Gains Tax on Property	229	600
Value Added Tax Payable	3.415	2.690
Foreign Exchange Transaction Tax	109.217	58.258
Other (*)	8.186	8.844
<b>Total</b>	<b>151.159</b>	<b>111.391</b>

(\*) As of June 30, 2021, other taxes payable amount consists of payroll tax amounting to TL 7.307 (December 31, 2020: TL 7.311), stamp tax amounting to TL 258 (December 31, 2020: TL 235), other taxes amounting to TL 507 (December 31, 2020: TL 1.039) and self-employed income tax amounting to TL 114 (December 31, 2020: TL 259).

**1(ii). Information on premium payables:**

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Social Security Premiums – Employer	3.862	4.092
Social Security Premiums – Employee	6.797	5.937
Bank Social Aid Pension Fund Premium – Employer	-	-
Social Aid Pension Fund Premium – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Unemployment Insurance – Employer	567	594
Unemployment Insurance – Employee	479	417
Other	-	-
<b>Total</b>	<b>11.705</b>	<b>11.040</b>

**2. Information on deferred tax liability:**

Information on the Group’s deferred tax liability as of June 30, 2021 is explained in Note XX of Section Three.

**k) Information on Liabilities Regarding Assets Held for Sale and Discontinued Operations:**

As of June 30, 2021 and December 31, 2020, the Group has no liabilities regarding assets held for sale and discontinued operations.

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**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 compliance with interim financial statements.

**m) Information on Shareholder’s Equity:**

**1. Presentation of paid-in capital:**

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Common Stock Provision	652.290	652.290
Preferred Stock Provision	-	-

Amount of paid-in capital of The Parent Bank is presented in nominal amount. As of June 30, 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 Group has not increased its share capital during the current period.

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

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

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

The Group has no capital commitments.

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

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

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

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

**8. Information on valuation differences of marketable securities:ceren**

	Current Period		Prior Period	
	June 30, 2021		December 31, 2020	
	TL	FC	TL	FC
<b>From Investments in Associates, Subsidiaries, and Joint Ventures</b>	-	-	-	-
Valuation Difference	-	-	-	-
Foreign Currency Difference	-	-	-	-
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>	<b>(71.678)</b>	-	<b>9.735</b>	-
Valuation Difference	(71.678)	-	9.735	-
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>(71.678)</b>	-	<b>9.735</b>	-

**9. Information on revaluation value increase fund:**

As of June 30, 2021 and December 31, 2020, the Group 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.

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

**a) Explanations on Off-Balance Sheet Commitments:**

**1. Loans Type and amount of irrevocable commitments:**

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Asset Purchase and Sale Commitments	12.136.438	14.713.727
Commitments for Credit Card Limits	3.383.886	3.308.035
Commitments for Cheques	15.477	15.531
Loan Granting Commitments	240.169	188.459
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	20.405	18.102
Tax and Fund Liabilities from Export Commitments	2.286	2.286
Other Irrevocable Commitments	544.242	542.659
<b>Total</b>	<b>16.342.903</b>	<b>18.788.799</b>

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

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

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

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Letters of Guarantee	4.573.463	4.047.939
Letters of Credit	2.837.411	2.027.452
Bank Acceptances	1.455	412
Other Guarantees	234.832	203.954
<b>Total</b>	<b>7.647.161</b>	<b>6.279.757</b>

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

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

**3. Information on the non-cash loans:**

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

	<b>Current Period June 30, 2021</b>	<b>Prior Period December 31, 2020</b>
<b>Non- Cash Loans Given for Cash Loan Risks Non- Cash Loans</b>	<b>-</b>	<b>-</b>
With Original Maturity of One Year or Less	-	-
With Original Maturity of More Than One Year	-	-
<b>Other Non-Cash Loans</b>	<b>7.647.161</b>	<b>6.279.757</b>
<b>Total</b>	<b>7.647.161</b>	<b>6.279.757</b>

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

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

Not disclosed in compliance with interim financial statements.

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

Not disclosed in compliance with interim financial statements.

**b) Explanations on Derivative Transactions:**

Not disclosed in compliance with interim financial statements.

**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 June 30, 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.

The Group has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of June 30, 2021, the total amount of these lawsuits filed against the Bank is TL 42.197 (December 31, 2020: TL 37.395). A total provision of TL 361 (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 42.558 (December 31, 2020: TL 37.693) being for provisions for refunds related to case document charges.

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

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

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**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT**

**a) Information on Interest Income:**

**1. Information on interest income received from loans:**

	Current Period June 30, 2021		Prior Period June 30, 2020	
	TL	FC	TL	FC
<b>Interest Income on Loans</b> <sup>(*)</sup>				
Short-Term Loans	648.015	101.795	381.583	38.243
Medium and Long-Term Loans	120.173	223.796	122.939	205.020
Interest on Loans Under Follow-Up	7.223	442	11.619	-
Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>775.411</b>	<b>326.033</b>	<b>516.141</b>	<b>243.263</b>

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

**2. Information on interest income received from banks:**

	Current Period June 30, 2021		Prior Period June 30, 2020	
	TL	FC	TL	FC
From the CBRT	-	-	194	-
From Domestic Banks	85.992	1	18.869	-
From Foreign Banks	193	248	1.207	2.809
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>86.185</b>	<b>249</b>	<b>20.270</b>	<b>2.809</b>

**3. Information on interest income on marketable securities:**

	Current Period June 30, 2021		Prior Period June 30, 2020	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	43.066	2.842	29.522	3.218
Financial Assets at Fair Value Through Other Comprehensive Income	325.022	-	106.577	-
Financial Assets Measured at Amortized Cost	-	-	-	-
<b>Total</b>	<b>368.088</b>	<b>2.842</b>	<b>136.099</b>	<b>3.218</b>

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

As of June 30, 2021 and June 30, 2020, the Parent Bank has no interest income received from investments in associates and subsidiaries.

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(Continued)**

**b) Information on Interest Expense:**

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

	Current Period June 30, 2021		Prior Period June 30, 2020	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	61.108	-	46.048
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>61.108</b>	<b>-</b>	<b>46.048</b>

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

None.

**3. Information on interest expense paid on securities issued:**

	Current Period June 30, 2021		Prior Period June 30, 2020	
	TL	FC	TL	FC
Interest expense to marketable securities issued	106.347	-	-	-
<b>Total</b>	<b>106.347</b>	<b>-</b>	<b>-</b>	<b>-</b>

**4. Maturity structure of the interest expense on deposits:**

Current Period: June 30, 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		
<b>Turkish Lira</b>								
Interbank deposits	-	26.876	-	-	-	-	-	26.876
Saving deposits	-	91.045	-	356.121	46.474	25.227	8.225	527.092
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	141.650	-	22.572	4.812	1.020	-	170.054
Other deposits	-	9	-	-	-	-	-	9
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>259.580</b>	<b>-</b>	<b>378.693</b>	<b>51.286</b>	<b>26.247</b>	<b>8.225</b>	<b>724.031</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	6.147	17.069	518	1.329	164	-	25.227
Interbank deposits	-	2	-	-	-	-	-	2
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	4	245	3	2	-	-	254
<b>Total</b>	<b>-</b>	<b>2.402</b>	<b>17.314</b>	<b>521</b>	<b>1.331</b>	<b>164</b>	<b>-</b>	<b>25.483</b>
<b>Grand Total</b>	<b>-</b>	<b>265.733</b>	<b>17.314</b>	<b>379.214</b>	<b>52.617</b>	<b>26.411</b>	<b>8.225</b>	<b>749.514</b>



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

Prior Period: June 30, 2020	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
<b>Turkish Lira</b>								
Interbank deposits	-	8.955	-	-	-	-	-	8.955
Saving deposits	-	37.930	110.825	2.605	2.161	2.824	-	156.345
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	84.120	14.037	3.843	3.128	2.363	-	107.491
Other deposits	-	4	-	-	-	-	-	4
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>131.009</b>	<b>124.862</b>	<b>6.448</b>	<b>5.289</b>	<b>5.187</b>	<b>-</b>	<b>272.795</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	11.157	23.625	1.699	2.617	951	-	40.049
Interbank deposits	-	6	-	-	-	-	-	6
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	3	332	6	15	-	-	356
<b>Total</b>	<b>-</b>	<b>11.166</b>	<b>23.957</b>	<b>1.705</b>	<b>2.632</b>	<b>951</b>	<b>-</b>	<b>40.411</b>
<b>Grand Total</b>	<b>-</b>	<b>142.175</b>	<b>148.819</b>	<b>8.153</b>	<b>7.921</b>	<b>6.138</b>	<b>-</b>	<b>313.206</b>

**4. Information on interest given on repurchase agreements:**

As of June 30, 2021, the Group has interest given on repurchase agreements amounting to TL 31.280 (June 30, 2020: TL 35.611).

**5. Information on finance lease expenses:**

As of June 30, 2021, the Group has lease expenses amounting to TL 11.037 (June 30, 2020: TL 8.186).

**6. Information on interest given on factoring payables:**

The Group has no interest given on factoring payables during the period ended on June 30, 2021 and June 30, 2020.

**c) Explanations on Dividend Income:**

As of June 30, 2021, 219. (June 30, 2020: TL 89)

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

**1. Trading income/loss (Net):**

	Current Period June 30, 2021	Prior Period June 30, 2020
<b>Profit</b>	<b>137.158.513</b>	<b>46.776.976</b>
Capital Market Transactions Income	173.477	209.229
Gain on Derivative Financial Transactions	3.939.377	4.692.104
Foreign Exchange Gains	133.045.659	41.875.643
<b>Loss (-)</b>	<b>136.965.664</b>	<b>46.479.785</b>
Capital Market Transactions Loss	168.030	124.878
Loss on Derivative Financial Transactions	3.583.235	4.129.931
Foreign Exchange Loss	133.214.399	42.224.976
<b>Total (Net)</b>	<b>192.849</b>	<b>297.191</b>

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

**e) Information on Other Operating Income:**

	<b>Current Period June 30, 2021</b>	<b>Prior Period June 30, 2020</b>
Reverse of Previous Years Expenses <sup>(*)</sup>	71.669	107.332
Gain on Sale of Assets <sup>(**)</sup>	29.488	483
Provision for Telecommunication Expense	1.931	1.639
Other Income	22.904	29.723
<b>Total</b>	<b>125.992</b>	<b>139.177</b>

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

<sup>(\*\*)</sup> Income from the sale of real estate held by the Bank is shown in the line of Gain on Sale of Assets.

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

	<b>Current Period June 30, 2021</b>	<b>Prior Period June 30, 2020</b>
Expected Credit Loss	46.757	282.046
12 Months Expected Credit Loss (Stage 1)	-	48.520
Significant Increase in Credit Risk (Stage 2)	46.757	159.582
Non-performing Loans (Stage 3)	-	73.944
Marketable Securities Impairment Expense	3.744	7.746
Financial Assets at Fair Value Through Profit or Loss	2.115	7.719
Financial Assets at Fair Value Through Other Comprehensive Income	1.629	27
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Other	-	-
<b>Total</b>	<b>50.501</b>	<b>289.792</b>

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

**g) Information related to other operating expenses:**

	<b>Current Period June 30, 2021</b>	<b>Prior Period June 30, 2020</b>
Reserve for Employee Termination Benefits <sup>(*)</sup>	-	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	38.385	36.000
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	27.518	18.696
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	2	19
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	130.893	247.048
Leasing Expenses on TFRS 16 Exceptions	4.729	4.641
Maintenance Licensing Expenses	34.720	27.015
Maintenance Expenses	12.245	14.076
Communication Expenses	7.253	7.777
Advertisement Expenses	25.877	12.090
Other Expenses	46.069	181.449
Loss on Sales of Assets	1.669	1.015
Tax, Duties, Charges and Funds Expenses	56.931	42.612
Saving Deposit Insurance Fund Expenses	28.726	27.314
Other <sup>(*)</sup>	183.095	124.741
<b>Total</b>	<b>467.219</b>	<b>497.445</b>

<sup>(\*)</sup> Other line amount TL 183.095 (June 30, 2020: TL 124.741) consists of balances from these items respectively; TL 588 of audit and consultancy fees (June 30, 2020: TL 658), TL 261 of the arbitration committee expenses (June 30, 2020: TL 269) and the remaining TL 182.246 consists of other expenses (June 30, 2020: TL 123.814)

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

Not disclosed in compliance with interim financial statements.

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

As of June 30, 2021, the Group has corporate tax provision expense amounting to TL 147.173 (June 30, 2020: TL 133.792 expense) and deferred tax income of TL 35.794 (June 30, 2020: TL 62.705 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.

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

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

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

Net interest income, amounting to TL 789.452 (June 30, 2020: TL 591.564), net wage and commission income amounting to TL 233.204 (June 30, 2020: TL 208.350) have an important role among the income items in the accounting period ending on June 30, 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 Group’s interest income are the interests received from loans, securities 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, TEFAS fund platform 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 Group, explanation if any effect of these changes in the subsequent periods:**

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

**l) Explanation on other items stated in the income statement:**

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

	<b>Current Period June 30, 2021</b>	<b>Prior Period June 30, 2020</b>
Credit Card Transactions	87.915	69.725
Insurance Commissions	21.188	19.220
Commissions Received from Banking Transactions	5.509	6.586
Fund Platform	23.848	38.617
Other Fee and Commissions	69.453	58.815
<b>Total</b>	<b>207.913</b>	<b>192.963</b>

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

**a) Information on the Current Year Adjustments Made in Accordance With the Requirements  
of the Accounting Standard on Financial Instruments:**

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

Not disclosed in compliance with interim financial statements.

**2. Information on increases in cash flow hedges:**

Not disclosed in compliance with interim financial statements.

**b) Information on Adjustments Made for the Application of Standard on Accounting for  
Financial Instruments in the Current Year:**

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

Not disclosed in compliance with interim financial statements.

**2. Information on cash flow hedges:**

Not disclosed in compliance with interim financial statements.

**c) Information on Dividend Distribution:**

None.

**d) Information on Issuance of Common Stock:**

Not disclosed in compliance with interim financial statements.

**e) Effects of the Adjustments to Prior Periods on the Opening Balance Sheets:**

Not disclosed in compliance with interim financial statements.

**f) Offsetting Prior Period's Losses:**

Not disclosed in compliance with interim financial statements.

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**VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH  
FLOWS**

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

Not disclosed in compliance with interim financial statements.

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

Not disclosed in compliance with interim financial statements.

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

Not disclosed in compliance with interim financial statements.

**d) Information on cash and cash equivalents:**

Not disclosed in compliance with interim financial statements.

**e) Additional information:**

None.

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

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

**Current Period – June 30, 2021**

Risk Group of the Group’s	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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Opening Balance	-	-	49.609	535.289	408	-
Closing Balance	-	-	349	483.498	31	-
Interest and Commission Income	-	-	958	3.518	-	-

**Prior Period - December 31, 2020:**

Risk Group of the Group’s	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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	1.483	657.056	-	-
Closing Balance	-	-	49.609	535.289	408	-
Interest and Commission Income (*)	-	-	1.207	68	-	-

(\*) The prior period balances present amounts of June 30, 2020.

**2. Deposits held by the Group’s risk group:**

Risk Group of the Group’s	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 June 30, 2021	Current Period June 30, 2021	Current Period June 30, 2021	Current Period June 30, 2021
<b>Deposit</b>					
Opening Balance	-	-	186.266	-	42.579
Closing Balance	2.919	-	179.907	-	32.169
Interest expense on deposits	-	-	-	-	843

Risk Group of the Group’s	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	Prior Period December 31, 2020
<b>Deposit</b>					
Opening Balance	2.167	-	127.787	-	24.029
Closing Balance	2.640	-	186.266	-	42.579
Interest expense on deposits (*)	-	-	-	-	187

(\*) The prior period balances present amounts of June 30, 2020.

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

Risk Group of the Group’s	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 June 30, 2021	Current Period June 30, 2021	Current Period June 30, 2021	Current Period June 30, 2021
<b>The Fair Value Differences Through Profit and Loss</b>					
Opening Balance	-	-	42.775.309	-	2.623
Closing Balance	-	-	28.502.035	-	-
Total Profit/Loss	-	-	99.203	-	-
<b>Transactions for Hedging Purposes</b>					
Opening Balance	-	-	-	-	-
Closing Balance	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-

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

Risk Group of the Group’s	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
<b>The Fair Value Differences Through Profit and Loss</b>			
Opening Balance	-	28.671.672	1.342
Closing Balance	-	42.775.309	2.623
Total Profit/Loss <sup>(*)</sup>	-	118.543	-
<b>Transactions for Hedging Purposes</b>			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss <sup>(*)</sup>	-	-	-

<sup>(\*)</sup> The prior period balances present amounts of June 30, 2020.

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

As of June 30, 2021, payment is made to the Board of Directors and top executives of the Group amounting to TL 30.836 (June 30, 2020: TL 29.054).

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

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

Not disclosed in compliance with interim financial statements.

**IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.



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**SECTION SIX**

**EXPLANATIONS ON INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT**

The consolidated financial statements for the period ended June 30, 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 August 18, 2021 is presented preceding the consolidated financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR**

None.

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**SECTION SEVEN**

**INTERIM ACTIVITY REPORT**

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

**GENERAL INFORMATION**

**1. Summary information about HSBC Bank A.Ş.**

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

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

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

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

Based on the approval of the Banking Regulation and Supervision Agency dated 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 29 June 2017.

**2. Capital and shareholding structure**

The Bank has made no changes in their capital and shareholding structure as well as its shareholders who directly or indirectly; individually or as a group has an influence over the Bank's audit and management, as of the accounting period ended on June 30, 2021. 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 June 30, 2021, HSBC Bank A.Ş.'s paid-in capital is TL 652.290 Thousand and its capital structure is as follows:

<b>Shareholder's Name and Surname/Title</b>	<b>Number of shares</b>	<b>Share amount (TL)</b>
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
<b>Total</b>	<b>65.229.000.000</b>	<b>652.290.000</b>

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**I. INTERIM ACTIVITY REPORT WHICH WILL INCLUDE EVALUATIONS FROM  
CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER  
RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)Information on Branches  
and Personnel**

As of June 30, 2021, the Parent Bank has 76 branches dispersed throughout the country (December 31, 2020: 77 branches). As of June 30, 2021, the number of employees of the group is 1.940 (December 31, 2020: 2.014).

**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 – June 30, 2021 period.

**5. Chairman and Members of the Board of Directors**

HSBC Bank A.Ş. Board of Directors as of June 30, 2021:

<b>Name and Surname</b>	<b>Title</b>
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
Cristopher James Hatton	Member

**6. Audit Committee**

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

<b>Name and Surname</b>	<b>Title</b>
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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CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER  
RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)**

**7. Executive Management**

HSBC Bank A.Ş. Executive Management as of June 30, 2021:

<b>Name and Surname</b>	<b>Title</b>	<b>Area of Responsibility</b>
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Anthony Wright	Deputy CEO	Credit and Risk
Ayşe Yenal	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	Deputy CEO	Human Resources
İbrahim Namık Aksel	Deputy CEO	Treasury and Capital Markets
Tolga Tüzüner	Head Legal Advisor	Legal

**8. HSBC Bank's Financial Power Rating**

According to Moody's Credit Rating Institution's evaluations, HSBC Bank A.Ş.'s rating as of June 30, 2021 is as follows:

<b>Definitions</b>	<b>Rating</b>
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 consolidated financial information for the period**

HSBC Bank A.Ş. introduce customers to international market opportunities, continue 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 consolidated financial statements, for the period ending on June 30, 2021, HSBC Bank A.Ş.'s total assets realised at TL 52.5 billion increased by 21% compared to the end of 2020. Loans, which form nearly 50% of the assets, seem to be around TL 26.3 billion. Deposits, which are the balance sheet's biggest funding source, have been realised at around TL 41 billion and formed 78% of liabilities. The balance sheet's consolidated items groups' period-end balances on the relevant dates are shown below.

<b>ASSETS (Thousand TL)</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
Financial Assets (Net)	26.650.957	17.855.558
Other Financial Assets Measured at Amortized Cost	24.718.856	24.726.296
Non-Current Assets or Disposal Groups "Held for Sale" and "Held from Discontinued Operations" (Net)	909	1.221
Equity Investments	220	220
Property and Equipment (Net)	209.310	221.432
Intangible Assets (Net)	184.221	181.806
Investment Property (Net)	-	-
Current Tax Asset	-	-
Deferred Tax Asset	289.007	257.441
Other Assets	414.957	276.325
<b>Total Assets</b>	<b>52.468.437</b>	<b>43.515.425</b>
<b>LIABILITIES (Thousand TL)</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
Deposits	40.868.664	30.923.078
Funds Borrowed	2.031.421	1.931.228
Money markets	-	1.242.251
Securities Issued (Net)	1.030.900	951.920
Funds	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-
Derivative Financial Liabilities	1.824.062	1.883.171
Factoring Liabilities	-	-
Lease Liabilities	111.267	102.956
Provisions	180.784	184.731
Current Tax Liability	162.864	122.431
Deferred Tax Liability	-	-
Liabilities Related to Non-Current Assets "Held For Sale" and "Held from Discontinued Operations"(Net)	-	-
Subordinated Debt	1.353.604	1.652.797
Other Liabilities	1.045.283	938.923
Shareholders' Equity	3.859.588	3.581.939
<b>Total Liabilities</b>	<b>52.468.437</b>	<b>43.515.425</b>

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Information related to HSBC Bank's consolidated income statement for June 30, 2021 and June 30, 2020 were shown below with the changes.

<b>STATEMENT OF INCOME (Thousand TL)</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
Net Interest Income	789.452	591.564
Other Non-Interest Income	552.264	644.807
<b>Total Operating Income/Expense</b>	<b>1.341.716</b>	<b>1.236.371</b>
Other Operating Expenses (-)	780.361	755.723
Provision for Loan Losses (-)	59.391	293.737
Net Operating Income/(Loss)	<b>501.964</b>	<b>186.911</b>
Tax Provision (-)	111.379	71.087
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>390.585</b>	<b>115.824</b>

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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 307 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 01.01.2021-30.06.2021**

None.

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