

# **HSBC BANK A.Ş.**

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

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

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

**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 September 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 nine-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 September 30, 2021 and the results of its operations and its cash flows for the nine-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

### ***Report on other regulatory requirements arising from legislation***

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

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

Damla Harman  
Partner, SMMM

November 22, 2021  
İstanbul, Turkey

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

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

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

Didem Çerçi  
Deputy chairman of the  
Board /  
Chairman of the Audit  
Committee

Süleyman Selim Kervancı  
General  
Manager

Burçin Ozan  
Financial Reporting  
Assistant General  
Manager

Yerlioan Kül  
Group Head

Robert Adrian Underwood  
Member of  
Audit Committee

Christopher James Hatton  
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 SEPTEMBER 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 September 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 September 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 SEPTEMBER 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>	Paul Joseph LAWRENCE <sup>(*)</sup>	Chairman	Undergraduate
<b>Vice President of the Executive Board:</b>	Didem ÇERÇİ	Deputy Chairman	Undergraduate
<b>Board of Directors:</b>	Süleyman Selim KERVANCI Robert Adrian UNDERWOOD Ayşe Ebru DORMAN Edward Michael FLANDERS Christopher James HATTON	Member, CEO Member Member Member Member	Graduate Undergraduate Graduate Undergraduate 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>	Burçin OZAN <sup>(**)</sup>	Finance	Graduate
<b>Executive Vice Presidents:</b>	Anthony WRIGHT Ayşe YENEL Burçin OZAN Funda TEMOÇİN İbrahim Namık AKSEL Tolga TÜZÜNER Dilek Güleç SALZBURG Caner IŞLAK Tuğçe Bora KILIÇ <sup>(***)</sup>	Credit and Risk Retail Banking Finance Human Resources Treasury and Capital Markets Head of Legal Advisor Global Banking Corporate Banking Technology and Services	Graduate Undergraduate Undergraduate Undergraduate Graduate Graduate Undergraduate Graduate Graduate
<b>Audit Committee:</b>	Didem ÇERÇİ Robert Adrian UNDERWOOD Christopher James HATTON	Head of the Audit Committee Member of the Audit Committee Member of the Audit Committee	Undergraduate Graduate Graduate

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

<sup>(\*)</sup> Paul Joseph Lawrence has been appointed Chairman of the Board of Directors as of October 20, 2021, replacing David Gordon Eldon.

<sup>(\*\*)</sup> Burçin Ozan has been appointed as the Deputy General Manager as of August 22, 2021.

<sup>(\*\*\*)</sup> Tuğçe Bora Kılıç has been appointed as Assistant General Manager for Technology and Services as of November 17, 2021.

**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 SEPTEMBER 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 Axa Sigorta, Zurich Sigorta, Allianz Hayat ve Emeklilik, Allianz Sigorta, Gulf Sigorta, Euler Hermes and Anadolu Hayat Emeklilik, and Marsh Sigorta ve Reasürans Brokerliği 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 September 30, 2021, the Parent Bank has 76 branches dispersed throughout the country (December 31, 2020: 77 branches).

As of September 30, 2021, the number of employees of the Group is 1.968 (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 SEPTEMBER 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 SEPTEMBER 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 (30.09.2021)			Audited Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
<b>I. FINANCIAL ASSETS (NET)</b>		<b>7.424.975</b>	<b>23.326.734</b>	<b>30.751.709</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>2.955.698</b>	<b>21.677.862</b>	<b>24.633.560</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)	961.059	6.207.426	7.168.485	196.186	6.896.097	7.092.283
1.1.2 Banks	(I-c)	36.633	1.050.738	1.087.371	2.584	27.102	29.686
1.1.3 Money Market Placements		1.960.985	14.419.698	16.380.683	2.182.029	1.152.745	3.334.774
1.1.4 Expected Loss Provision (-)		2.979	-	2.979	2.437	-	2.437
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	<b>(I-b)</b>	<b>845.943</b>	<b>41.875</b>	<b>887.818</b>	<b>195.305</b>	<b>165.340</b>	<b>360.645</b>
1.2.1 Government Debt Securities		840.376	41.875	882.251	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>3.484.324</b>	<b>-</b>	<b>3.484.324</b>	<b>5.014.925</b>	<b>-</b>	<b>5.014.925</b>
1.3.1 Government Debt Securities		3.484.324	-	3.484.324	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>139.010</b>	<b>1.606.997</b>	<b>1.746.007</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		139.010	1.606.997	1.746.007	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>7.627.102</b>	<b>13.913.727</b>	<b>21.540.829</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>8.958.136</b>	<b>13.913.727</b>	<b>22.871.863</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>149.529</b>	<b>-</b>	<b>149.529</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>1.480.563</b>	<b>-</b>	<b>1.480.563</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>559</b>	<b>-</b>	<b>559</b>	<b>1.221</b>	<b>-</b>	<b>1.221</b>
3.1 Held for Sale Purpose		559	-	559	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>191.154</b>	<b>-</b>	<b>191.154</b>	<b>221.432</b>	<b>-</b>	<b>221.432</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>(I-m)</b>	<b>202.667</b>	<b>-</b>	<b>202.667</b>	<b>181.806</b>	<b>-</b>	<b>181.806</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		202.667	-	202.667	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>275.452</b>	<b>-</b>	<b>275.452</b>	<b>257.441</b>	<b>-</b>	<b>257.441</b>
<b>X. OTHER ASSETS</b>	<b>(I-r)</b>	<b>361.453</b>	<b>42.350</b>	<b>403.803</b>	<b>215.285</b>	<b>61.040</b>	<b>276.325</b>
<b>TOTAL ASSETS</b>		<b>16.083.582</b>	<b>37.282.811</b>	<b>53.366.393</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 84 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 SEPTEMBER 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 (30.09.2021)			Audited Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES					
I. DEPOSITS	(II-a)	12.175.707	30.641.222	42.816.929	8.514.625	22.408.453	30.923.078
II. FUNDS BORROWED	(II-d)	-	1.376.946	1.376.946	-	1.931.228	1.931.228
III. MONEY MARKET BALANCES	(II-c)	-	-	-	1.242.251	-	1.242.251
IV. MARKETABLE SECURITIES ISSUED (Net)		598.270	-	598.270	951.920	-	951.920
4.1 Bills		598.270	-	598.270	951.920	-	951.920
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. BORROWER FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(II-b)	104.516	1.500.536	1.605.052	374.618	1.508.553	1.883.171
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		104.516	1.500.536	1.605.052	374.618	1.508.553	1.883.171
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(II-f)	100.326	1.890	102.216	99.547	3.409	102.956
X. PROVISIONS	(II-i)	185.805	1.909	187.714	183.098	1.633	184.731
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		71.153	-	71.153	74.392	-	74.392
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		114.652	1.909	116.561	108.706	1.633	110.339
XI. CURRENT TAX LIABILITY	(II-j)	91.176	-	91.176	122.431	-	122.431
XII. DEFERRED TAX LIABILITY	(II-j)	-	-	-	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(II-k)	-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(II-l)	-	1.351.992	1.351.992	-	1.652.797	1.652.797
14.1 Loans		-	1.351.992	1.351.992	-	1.652.797	1.652.797
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES	(II-e)	719.555	480.325	1.199.880	666.405	272.518	938.923
XVI. SHAREHOLDERS' EQUITY	(II-m)	4.036.218	-	4.036.218	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		(10.646)	-	(10.646)	(20.974)	-	(20.974)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(78.504)	-	(78.504)	9.735	-	9.735
16.5 Profit Reserves		2.630.000	-	2.630.000	2.215.463	-	2.215.463
16.5.1 Legal Reserves		199.731	-	199.731	201.483	-	201.483
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		2.430.269	-	2.430.269	2.013.980	-	2.013.980
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit Or Loss		532.190	-	532.190	452.732	-	452.732
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		532.190	-	532.190	452.732	-	452.732
16.7 Minority Interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>18.011.573</b>	<b>35.354.820</b>	<b>53.366.393</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 84 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 SEPTEMBER 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 (30.09.2021)			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>33.267.671</b>	<b>111.920.762</b>	<b>145.188.433</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>1.334.443</b>	<b>7.854.317</b>	<b>9.188.760</b>	<b>1.290.594</b>	<b>4.989.163</b>	<b>6.279.757</b>
1.1 Letters of Guarantee		1.304.443	4.015.971	5.320.414	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		1.304.443	4.015.971	5.320.414	1.265.594	2.782.345	4.047.939
1.2 Bank Acceptances		-	1.181	1.181	-	412	412
1.2.1 Import Letter of Acceptance		-	1.181	1.181	-	412	412
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		30.000	3.598.784	3.628.784	25.000	2.002.452	2.027.452
1.3.1 Documentary Letters of Credit		30.000	2.052.318	2.082.318	25.000	1.151.801	1.176.801
1.3.2 Other Letters of Credit		-	1.546.466	1.546.466	-	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		-	238.381	238.381	-	203.954	203.954
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(III-a-1)	<b>5.926.406</b>	<b>6.608.824</b>	<b>12.535.230</b>	<b>6.589.498</b>	<b>12.199.301</b>	<b>18.788.799</b>
2.1 Irrevocable Commitments		5.926.406	6.608.824	12.535.230	6.589.498	12.199.301	18.788.799
2.1.1 Forward Asset Purchase and Sale Commitments		1.683.319	6.608.020	8.291.339	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		240.191	-	240.191	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		14.766	-	14.766	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		3.422.547	-	3.422.547	3.308.035	-	3.308.035
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		21.127	-	21.127	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		542.170	804	542.974	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>26.006.822</b>	<b>97.457.621</b>	<b>123.464.443</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		26.006.822	97.457.621	123.464.443	23.587.528	103.646.674	127.234.202
3.2.1 Forward Foreign Currency Buy/Sell Transactions		6.770.949	12.422.436	19.193.385	5.620.930	8.754.954	14.375.884
3.2.1.1 Forward Foreign Currency Transactions-Buy		5.738.227	3.968.968	9.707.195	3.745.276	3.555.430	7.300.706
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.032.722	8.453.468	9.486.190	1.875.654	5.199.524	7.075.178
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		12.971.635	71.721.138	84.692.773	9.480.572	79.283.673	88.764.245
3.2.2.1 Foreign Currency Swap-Buy		3.880.681	25.643.492	29.524.173	2.600.667	28.493.327	31.093.994
3.2.2.2 Foreign Currency Swap-Sell		7.290.954	25.621.014	32.911.968	6.879.905	27.708.756	34.588.661
3.2.2.3 Interest Rate Swap-Buy		900.000	10.228.316	11.128.316	-	11.540.795	11.540.795
3.2.2.4 Interest Rate Swap-Sell		900.000	10.228.316	11.128.316	-	11.540.795	11.540.795
3.2.3 Foreign Currency, Interest Rate, And Securities Options		6.264.238	9.077.622	15.341.860	8.486.026	10.552.554	19.038.580
3.2.3.1 Foreign Currency Options-Buy		3.132.119	4.538.811	7.670.930	4.243.013	5.276.277	9.519.290
3.2.3.2 Foreign Currency Options-Sell		3.132.119	4.538.811	7.670.930	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		-	4.236.425	4.236.425	-	5.055.493	5.055.493
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>866.705.555</b>	<b>66.495.260</b>	<b>933.200.815</b>	<b>683.263.315</b>	<b>42.615.226</b>	<b>725.878.541</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>798.491.967</b>	<b>26.690.892</b>	<b>825.182.859</b>	<b>615.186.270</b>	<b>8.122.872</b>	<b>623.309.142</b>
4.1 Customers' Securities Held		165.791	-	165.791	174.752	-	174.752
4.2 Investment Securities Held in Custody		796.359.681	18.173.998	814.533.679	612.999.046	1.058.659	614.057.705
4.3 Checks Received for Collection		8.070	176.269	184.339	25.701	130.671	156.372
4.4 Commercial Notes Received for Collection		206.663	24.390	231.053	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		1.751.762	8.316.235	10.067.997	1.864.830	6.908.058	8.772.888
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES ITEMS</b>		<b>65.537.324</b>	<b>21.409.927</b>	<b>86.947.251</b>	<b>65.783.256</b>	<b>21.641.484</b>	<b>87.424.740</b>
5.1 Marketable Securities		72.204	1.316.418	1.388.622	27.146	1.103.651	1.130.797
5.2 Guarantee Notes		32.777	531.010	563.787	32.842	448.710	481.552
5.3 Commodity		600.784	169.384	770.168	571.021	983.044	1.554.065
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		2.916.781	8.591.393	11.508.174	3.240.747	9.834.339	13.075.086
5.6 Other Pledged Items		61.914.778	10.801.722	72.716.500	61,914.778	9,271.740	71,183.240
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>		<b>2.676.264</b>	<b>18.394.441</b>	<b>21.070.705</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>899.973.226</b>	<b>178.416.022</b>	<b>1.078.389.248</b>	<b>714.730.935</b>	<b>163.450.364</b>	<b>878.181.299</b>

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IN TURKISH, SEE IN NOTE 3.I**

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

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

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

III. STATEMENT OF PROFIT OR LOSS		Note (Section Five IV)	Reviewed			
			Current Period (01.01.2021 – 30.09.2021)	Current Period (01.07.2021 – 30.09.2021)	Prior Period (01.01.2020 – 30.09.2020)	Prior Period (01.07.2020 – 30.09.2020)
INCOME AND EXPENSE ITEMS						
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(IV-a)</b>	<b>2.626.633</b>	<b>876.695</b>	<b>1.636.716</b>	<b>614.910</b>
1.1	Interest Income on Loans	(IV-a-1)	1.646.052	544.608	1.194.664	435.260
1.2	Interest Received from Reserve Requirements		60.772	26.287	1.009	1.009
1.3	Interest Received from Banks	(IV-a-2)	157.532	71.098	31.958	8.879
1.4	Interest Received from Money Market Transactions		185.819	35.867	103.153	6.754
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	560.385	189.455	301.644	162.327
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		85.399	39.491	39.274	6.534
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		474.986	149.964	262.370	155.793
1.5.3	Financial Assets at Measured at Amortized Cost		-	-	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		16.073	9.380	4.288	681
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>(IV-b)</b>	<b>1.506.601</b>	<b>546.115</b>	<b>725.733</b>	<b>295.491</b>
2.1	Interest Expense on Deposits	(IV-b-4)	1.218.811	469.297	459.848	146.642
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	90.417	29.309	88.652	42.604
2.3	Interest Expense on Money Market Transactions		31.286	6	118.787	83.176
2.4	Interest on Securities Issued	(IV-b-3)	150.425	44.078	-	-
2.5	Interest Expense on Lease		13.745	2.708	12.779	4.593
2.6	Other Interest Expenses		1.917	717	45.667	18.476
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>1.120.032</b>	<b>330.580</b>	<b>910.983</b>	<b>319.419</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>374.195</b>	<b>140.991</b>	<b>311.649</b>	<b>103.299</b>
4.1	Fees and Commissions Received		420.577	157.382	348.247	115.784
4.1.1	Non-Cash Loans		89.610	34.328	65.365	25.865
4.1.2	Other	(IV-l)	330.967	123.054	282.882	89.919
4.2	Fees and Commissions Paid (-)		46.382	16.391	36.598	12.485
4.2.1	Non-Cash Loans		582	194	590	195
4.2.2	Other		45.800	16.197	36.008	12.290
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>219</b>	<b>-</b>	<b>89</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	<b>(IV-d)</b>	<b>293.787</b>	<b>100.938</b>	<b>438.467</b>	<b>141.276</b>
7.1	Trading Gains/(Losses) on Securities		23.878	18.431	121.012	36.661
7.2	Derivative Financial Transactions Gains/(Losses)		336.640	(19.502)	888.852	326.679
7.3	Foreign Exchange Gains/(Losses)		(66.731)	102.009	(571.397)	(222.064)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(IV-e)</b>	<b>155.248</b>	<b>29.256</b>	<b>188.946</b>	<b>49.769</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.943.481</b>	<b>601.765</b>	<b>1.850.134</b>	<b>613.763</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES (-)</b>	<b>(IV-f)</b>	<b>61.988</b>	<b>11.487</b>	<b>403.889</b>	<b>114.097</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>		<b>23.365</b>	<b>14.475</b>	<b>2.990</b>	<b>(955)</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>466.777</b>	<b>153.635</b>	<b>385.707</b>	<b>127.429</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(IV-g)</b>	<b>690.016</b>	<b>222.797</b>	<b>688.160</b>	<b>190.715</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>701.335</b>	<b>199.371</b>	<b>369.388</b>	<b>182.477</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>701.335</b>	<b>199.371</b>	<b>369.388</b>	<b>182.477</b>
18.1	Current Tax Provision	(IV-i)	(169.145)	(57.766)	(104.408)	(33.321)
18.2	Deferred Tax Income Effect (+)		(191.595)	(44.422)	(134.592)	(800)
18.3	Deferred Tax Expense Effect (-)		(47.271)	(47.271)	-	-
<b>XIX.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVIII±XVIII)</b>		<b>69.721</b>	<b>33.927</b>	<b>30.184</b>	<b>(32.521)</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>	<b>(IV-j)</b>	<b>532.190</b>	<b>141.605</b>	<b>264.980</b>	<b>149.156</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>532.190</b>	<b>141.605</b>	<b>264.980</b>	<b>149.156</b>
			0,008159	0,002170	0,004062	0,002287

The accompanying explanations and notes set out on pages 14 to 84 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 SEPTEMBER 30, 2021 AND SEPTEMBER 30, 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 (30.09.2021)</b>	<b>Reviewed Prior Period (30.09.2020)</b>
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>532.190</b>	<b>264.980</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(77.911)</b>	<b>(14.234)</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>10.328</b>	<b>7.697</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	13.010	9.633
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	(2.682)	(1.936)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>(88.239)</b>	<b>(21.931)</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	(106.901)	(29.234)
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	18.662	7.801
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>454.279</b>	<b>250.746</b>

The accompanying explanations and notes set out on pages 14 to 84 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 SEPTEMBER 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 September 30, 2020	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Minority Shares	Total Equity
<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>		-	-	-	-	-	7.697	-	-	(21.543)	(388)	-	-	264.980	250.746	-	250.746
V. Capital Increase by Cash	(V-a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<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	-	(17.283)	-	-	4.468	-	2.215.463	-	264.980	3.392.611	-	3.392.611

- 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 84 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 SEPTEMBER 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 September 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>		-	-	-	-	-	10.328	-	-	(88.239)	-	-	532.190	454.279	-	454.279	
<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	-	-	-	-	-	414.537	-	(452.732)	-	-	-	
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
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	-	(10.646)	-	-	(78.504)	2.630.000	-	532.190	4.036.218	-	4.036.218	

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 84 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 SEPTEMBER 30, 2021 AND SEPTEMBER 30, 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 (30.09.2021)</b>	<b>Reviewed Prior Period (30.09.2020)</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>875.691</b>	<b>1.088.496</b>
1.1.1 Interest Received		2.701.143	1.673.934
1.1.2 Interest Paid		(1.362.442)	(746.575)
1.1.3 Dividend Received		219	89
1.1.4 Fees and Commissions Received		406.777	309.940
1.1.5 Other Income		114.031	70.012
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		51.179	72.921
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(496.424)	(383.489)
1.1.8 Taxes Paid		(148.818)	(129.693)
1.1.9 Other		(389.974)	221.357
<b>1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations</b>		<b>11.770.800</b>	<b>1.623.485</b>
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(514.662)	131.095
1.2.2 Net Decrease in Due From Banks		(1.805.927)	(862.090)
1.2.3 Net (Increase) in Loans		3.172.382	(10.134.894)
1.2.4 Net (Increase) in Other Assets		85.604	(240.274)
1.2.5 Net Increase in Bank Deposits		(218.155)	324.932
1.2.6 Net Increase/(Decrease) in Other Deposits		12.027.119	3.710.509
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net (Decrease) in Funds Borrowed		283.679	3.334.548
1.2.9 Net Increase/(Decrease) in Matured Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(1.259.240)	5.359.659
<b>I. Net Cash Provided From Banking Operations</b>		<b>12.646.491</b>	<b>2.711.981</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided From Investing Activities</b>		<b>1.363.612</b>	<b>(6.123.357)</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		(14.694)	(58.020)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		29.834	-
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(553.741)	(6.639.627)
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		1.968.814	613.375
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		(66.601)	(39.085)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided From Financing Activities</b>		<b>(1.635.620)</b>	<b>(44.494)</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		3.847.463	-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		(5.465.027)	-
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Lease Liabilities		(18.056)	(44.494)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(VI-a)	<b>(1.252)</b>	<b>12.024</b>
<b>V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>12.373.231</b>	<b>(3.443.846)</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>19.286.386</b>	<b>8.430.751</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF SEPTEMBER 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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**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF SEPTEMBER 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 September 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 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, 2021 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. As of September 30, 2021, the changes brought about by the reform have not had a significant impact on the Group’s financial statements.

**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 (“PVB”) and relevant limits are being determined.

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

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

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**III. EXPLANATIONS ON CONSOLIDATED INVESTMENTS IN ASSOCIATES AND  
SUBSIDIARIES**

The Group has no investments in associates as of September 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 Basım Yayın ve Müşteri Hizmetleri A.Ş. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basım 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>(*)</sup>	Full consolidation	Turkey	Securities Intermediary Services	100,00

<sup>(\*)</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 January 19, 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

The 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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**VIII. 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 was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

**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 September 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 March 17, 2020, in order to continue economic and commercial activities in a healthy way resulting from the Covid-19 outbreak, the 90 days default period for loans to be classified as non-performing loans shall be applied as 180 days according to assembly’s resolution dated on March 17, 2020. This measure will be effective until 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.

For loans restructured in live accounts and classified as non-performing loans due to financial difficulties, the Group continued to calculate expected credit losses in line with TFRS9 regulations, using the individual assesment method according to the discounted cash flow methodology.

With the Board Decision dated June 17, 2021 and numbered 9624, the BRSA ended the application, which was stated to expire as of the end of September 30, 2021, but allowed banks to continue the application in the same way for loans with a delay period of more than 91 days and not exceeding 180 days as of October 1, 2021.

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, in case of a 30-day delay in loan repayments and/or being placed on close watch lists, 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 the COVID-19 epidemic, an additional alternative pessimistic negative scenario was started to be used by including the optimistic scenario weight in the base scenario as of the 2nd quarter of 2020. Each of these scenarios was associated with the different PD and LGD.

In addition, all commercial and corporate loans that are classified as non-performing loans and restructured in expected loan loss calculation in accordance with TFRS 9 are subject to individual assessment in accordance with internal policies. 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. The PD model calculates the PD value over the Life Cycle (TTC) with customer rating grades, and the Point in Time (PiT) PD value is reached with the macroeconomic models designed by the Bank.

Theoretical models are used to determine the internal values of the commercial and corporate portfolios. 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. Forward-looking expectations in personal loans are managed with a judicial method.

**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. While calculating the time value of money, the weighted average interest rate of the performing loan portfolio at the relevant moment is taken into account as the effective interest rate. The LGD assignment for Corporate and Commercial loans is based on a simplified approach, including macroeconomic cyclicality and future economic expectations, including macroeconomic expectations input and loan maturities. made on the developed model.

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):**

It is the expected economic receivable amount at the time of default. The expected default amount is calculated by discounting the expected principal and interest repayments and income accruals using the effective interest method. Credit conversion rates based on past performance and reflecting the relevant portfolio are used in the calculation of the default amount. EAD of all loans in the corporate and commercial loans portfolio of the Parent Bank is calculated by considering the cash and non-cash loans over the loan conversion rates determined in the legislation. Cash flows are not taken into account throughout the life cycle of the loan, and the default amount is assumed to remain constant. With this approach, more prudent results can be produced and risk-increasing factors such as non-payment and partial payment that may occur in cash flows are prevented.

**Consideration of the Macroeconomic Factors**

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

- Annual percentage change of GDP
- Annual change in export amount
- Annual percentage change in USD/TRY
- Unemployment rate
- Inflation rate
- Change in the Industrial Production Index
- Housing price index
- Short term external debt

As of September 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 September 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. Due to the occurrence of unexpected events that are not taken into account by the models and/or the collaterals are not taken into account in the LGD model due to their nature, the Parent Bank has established higher/lower provisions in addition to the provisions established in the corporate/commercial portfolio. This approach, which has been implemented since the second quarter of 2020, will continue in 2021 and will be reviewed regularly in the following reporting periods, taking into account the effect of the pandemic, the status of the current 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).

Quantitative assessments compare the relative change between the probability of default (PD) measured at the loan origination date and the PD measured at the report date. If this change exceeds the thresholds for a significant increase in credit risk, the financial asset is classified as Stage 2. In the quantitative evaluation of the significant increase in credit risk, the Parent Bank considers absolute threshold values as an additional layer in addition to relative threshold values. Receivables whose default probability is below the absolute threshold value 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

Based on the BRSA's decision dated March 27, 2020 and numbered 8970, in order to ensure the healthy continuation of economic and commercial activities as a result of the COVID-19 outbreak, within the scope of Article 4 of the Regulation on the Classification of Loans and Provisions to be Set aside for These, the loans are classified in the Second Group. It has been decided to apply the 30-day delay period foreseen for the classification of the loans to be 90 days until September 30, 2021 for the loans followed up in the First Group. In addition, it has been concluded that the provisions to be set aside for the loans that continue to be classified in the First Group for delays up to 90 days will continue according to their own risk models used by the banks in calculating the expected credit loss under TFRS 9.

With the Board Decision dated June 17, 2021 and numbered 9624, the BRSA ended the application, which was stated to expire as of the end of September 30, 2021, but allowed banks to continue the application in the same way for loans with a delay period of more than 31 days and not exceeding 90 days as of October 1, 2021.

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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 September 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 September 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 in 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 September 30, 2021 amounted to TL 173.371 (December 31, 2020: TL 181.653), lease liability amounted to TL 102.216 (December 31, 2020: TL 102.956), depreciation expense amounted to TL 30.197 (September 30, 2020: TL 30.368) and interest expense amounted to TL 13.745 (September 30, 2020: TL 12.779).

**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 7,77% (December 31, 2020: 3,82%).

As of September 30, 2021, actuarial loss amounted to TL 10.646 (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:**

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

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

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

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

Provisional taxes are paid by calculating at the corporate tax rate to which the earnings of that year are subject. Provisional taxes paid during the year can be deducted from the corporate tax calculated on the annual corporate tax return of that year. Corporate tax returns are submitted to the relevant tax office until the evening of the last day of the fourth month following the month in which the accounting period is closed.

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 has calculated its deferred tax assets or liabilities over 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, the corporate tax rate has been increased to 25% for the taxation period of 2021, starting from the declarations that must be submitted as of July 1, 2021 and being valid for the taxation period starting from January 1, 2021. This rate will be applied as 23% for the taxation period of 2022 and 20% for the taxation period after 2022. As of September 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 September 30, 2021, the Group has recognized deferred tax receivables amounting to TL 275.452 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 September 30, 2021 and December 31, 2020.

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

As of September 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 September 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</b>	<b>Prior Period</b>
	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Net Earnings/(Loss) for the Period	532.190	264.980
Number of Shares	65.229.000.000	65.229.000.000
<b>Earnings/(Loss) per Share (*)</b>	<b>0,008159</b>	<b>0,004062</b>

(\*) Amounts are expressed in full TL.

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**XXVIII. CASH AND CASH EQUIVALENTS**

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

**XXIX. RELATED PARTIES**

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

**XXX. RECLASSIFICATIONS**

None.

**XXXI. OTHER MATTERS**

None.

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**SECTION FOUR**

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

**I. EXPLANATIONS RELATED TO COMPONENTS OF 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 September 30, 2021, equity of the Group and the Parent Bank is amounting to TL 5.640.331 and TL 5.559.875 respectively, and capital adequacy ratio of the Group and the Parent Bank is %17,97 and %17,81 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 September 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	2.940.888	2.488.156
Other Comprehensive Income according to TAS	-	9.735
Profit	532.190	452.732
Current Period Profit	532.190	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>4.125.368</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	89.150	20.974
Leasehold Improvements on Operational Leases	25.388	30.488
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	202.667	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>317.205</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>4.010.449</b>	<b>3.673.075</b>

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

	Current Period September 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	-	-
<b>Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)</b>	<b>-</b>	<b>-</b>
<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>4.010.449</b>	<b>3.673.075</b>
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.336.474	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)	320.713	325.004
<b>Total Deductions from Tier II Capital</b>	<b>1.657.187</b>	<b>1.572.690</b>
<b>Deductions from Tier II Capital</b>	<b>-</b>	<b>-</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 (-)	423	226
<b>Total Deductions from Tier II Capital</b>	<b>423</b>	<b>226</b>
<b>Total Tier II Capital</b>	<b>1.656.764</b>	<b>1.572.464</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>5.667.213</b>	<b>5.245.539</b>
<b>Amounts Deducted from Equity</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	26.882	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 September 30, 2021	Prior Period December 31, 2020
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	5.640.331	5.208.493
Total Risk Weighted Assets	31.394.403	30.493.047
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated CET I Capital Ratio (%)	12,77	12,05
Consolidated Tier I Capital Ratio (%)	12,77	12,05
Consolidated Capital Adequacy Ratio (%)	17,97	17,08
<b>BUFFERS</b>		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,52	2,51
a) Capital Conservation Buffer Ratio (%)	2,50	2,50
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,02	0,01
c) Systemic significant Bank Buffer Ratio (%)	-	-
The ratio of Additional Common Equity Tier I 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 (%)	4,30	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)	1.191.602	1.157.925
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	320.713	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	-	-

Based on the BRSA decision numbered 9312 dated December 8, 2020, in the capital adequacy calculations to be carried out until September 30, 2021, the amount subject to credit risk can be calculated with the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date. Based on the BRSA's decision numbered 9624 dated September 16, 2021, the application, which was stated to expire as of September 30, 2021, was allowed to be implemented until a decision is made to the contrary.



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**I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHARE HOLDERS’  
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)	1.336
Nominal value of instrument	1.336
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 Parent 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	4.010.449	3.909.306	3.808.163
Transition process not implemented Common Equity	3.808.163	3.808.163	3.808.163
Tier 1 Capital	4.010.449	3.909.306	3.808.163
Transition process not implemented Tier 1 Capital	3.808.163	3.808.163	3.808.163
Total Capital	5.640.331	5.539.188	5.438.045
Transition process not implemented Equity	5.438.045	5.438.045	5.438.045

**TOTAL RISK WEIGHTED AMOUNTS**

Total Risk Weighted Amounts	31.394.403	31.394.403	31.394.403
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**Capital Adequacy Ratio**

Common Equity	12,77	12,45	12,13
Transition process not implemented Common Equity Ratio (%)	12,13	12,13	12,13
Tier 1 Capital	12,77	12,45	12,13
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12,13	12,13	12,13
Capital	17,97	17,64	17,32
Transition process not implemented Capital Adequacy Ratio (%)	17,32	17,32	17,32

**LEVERAGE**

Leverage Ratio Total Risk Amount	59.821.852	59.821.852	59.821.852
Leverage (%)	6,63	6,53	6,37
Transition process not implemented Leverage Ratio (%)	6,37	6,37	6,37

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

The Group's assessment process of adequacy of internal capital requirements and capital adequacy policies was prepared in order to describe the assessment process of adequacy of internal capital requirements and capital adequacy policies, and approved by its board of directors in February 27, 2017. Internal Capital Adequacy Assessment is updated in case of changes in the Parent Bank's strategy, business plans, operating environment or factors that may affect the assumptions and methods used in the assessment, and in case of new emerging risks, these risks are defined and included in this process.

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 short 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 does not hold a foreign currency position other than the long positions held for the foreign currency expected loss provisions calculated in accordance with TFRS 9 and balances its foreign currency positions with derivative products. 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 – September 30, 2021</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	8,8725	10,2806
<b>Prior Balance Sheet Date</b>		
September 29, 2021	8,8745	10,3139
September 28, 2021	8,8701	10,3722
September 27, 2021	8,8277	10,3319
September 24, 2021	8,8599	10,3749
September 23, 2021	8,7421	10,2667
<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		
December 29, 2020	7,3704	9,0579
December 28, 2020	7,3892	9,0510
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 September 2021, the Group’s simple arithmetic average foreign exchange rate for USD is TL 8,5594 (December 2020: TL 7,7069) and exchange rate for Euro is TL 10,0774 (December 2020: TL 9,3823).

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

<b>Current Period – September 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	1.743.493	2.855.151	1.608.782	6.207.426
Banks	-	1.043.697	7.041	1.050.738
Financial Assets at Fair Value through Profit or Loss (Net) (***)	448.516	1.195.936	4.420	1.648.872
Interbank Money Market Placements	-	14.419.698	-	14.419.698
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	7.981.952	5.937.928	56	13.919.936
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	9.823	32.394	133	42.350
<b>Total Assets</b>	<b>10.183.784</b>	<b>25.484.804</b>	<b>1.620.432</b>	<b>37.289.020</b>
<b>Liabilities</b>				
Bank Deposits	102	23	1	126
Foreign Currency Deposits	6.391.682	16.906.574	7.342.840	30.641.096
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	1.883.327	845.234	377	2.728.938
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	1.559	327.793	14.379	343.731
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	350.084	1.283.678	7.167	1.640.929
<b>Total Liabilities</b>	<b>8.626.754</b>	<b>19.363.302</b>	<b>7.364.764</b>	<b>35.354.820</b>
<b>Net on Balance Sheet Position (****)</b>	<b>1.557.030</b>	<b>6.121.502</b>	<b>(5.744.332)</b>	<b>1.934.200</b>
<b>Net Off-Balance Sheet Position (****)</b>	<b>(1.229.554)</b>	<b>(5.445.886)</b>	<b>5.743.488</b>	<b>(931.952)</b>
Financial Derivative Assets	12.972.853	19.519.252	8.832.563	41.324.668
Financial Derivative Liabilities	14.202.407	24.965.138	3.089.075	42.256.620
Non-cash Loans	1.974.839	5.151.596	727.882	7.854.317
<b>Prior Period – December 31, 2020</b>				
Total Assets	12.893.581	11.028.732	1.369.500	25.291.813
Total Liabilities	4.838.088	16.769.284	6.173.933	27.781.305
<b>Net on-Balance Sheet Position</b>	<b>8.055.493</b>	<b>(5.740.552)</b>	<b>(4.804.433)</b>	<b>(2.489.492)</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	1.403.138	3.101.839	484.277	4.989.254
Non-cash Loans	1.403.047	3.101.839	484.277	4.989.163

(\*) As of September 30, 2021, total loans amount consists foreign indexed loans amounting to TL 6.209 (December 31, 2020: TL 8.322).

(\*\*) Other liabilities consists derivative financial liabilities amounting to TL 1.500.536 (December 31, 2020: TL 1.508.553).

(\*\*\*) Financial assets at fair value through profit or loss consists derivative financial assets amounting to TL 1.606.997 (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 – September 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 (*)	5.365.455	-	-	-	-	1.801.942	7.167.397
Banks (*)	1.029.615	-	-	-	-	57.749	1.087.364
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	223.509	218.190	317.509	1.808.631	60.419	5.567	2.633.825
Interbank Money Market Placements (*)	16.378.799	-	-	-	-	-	16.378.799
Financial Assets at Fair Value Through Other Comprehensive Income	7.908	-	674.944	2.577.316	224.156	-	3.484.324
Loans	9.284.262	4.666.164	6.783.655	660.002	8.504	138.242	21.540.829
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.710	-	6	15.238	-	1.056.901	1.073.855
<b>Total Assets</b>	<b>32.291.258</b>	<b>4.884.354</b>	<b>7.776.114</b>	<b>5.061.187</b>	<b>293.079</b>	<b>3.060.401</b>	<b>53.366.393</b>
<b>Liabilities</b>							
Bank Deposits	303.668	-	-	-	-	139.217	442.885
Other Deposits	20.917.780	4.327.896	553.117	6.715	-	16.568.536	42.374.044
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	832.927	832.927
Issued Marketable Securities (Net)	-	598.270	-	-	-	-	598.270
Funds Borrowed	2.077.205	-	636.385	-	-	15.348	2.728.938
Other Liabilities (***)	121.867	210.456	456.413	1.477.124	49.423	4.074.046	6.389.329
<b>Total Liabilities</b>	<b>23.420.520</b>	<b>5.136.622</b>	<b>1.645.915</b>	<b>1.483.839</b>	<b>49.423</b>	<b>21.630.074</b>	<b>53.366.393</b>
Balance Sheet Long Position	8.870.738	-	6.130.199	3.577.348	243.656	-	18.821.941
Balance Sheet Short Position	-	-	-	-	-	(18.569.673)	(18.821.941)
Off-Balance Sheet Long Position	-	-	194.872	-	-	-	194.872
Off-Balance Sheet Short Position	(202.541)	(79.459)	-	(17.208)	-	-	(299.208)
<b>Total Position</b>	<b>8.668.197</b>	<b>(331.727)</b>	<b>6.325.071</b>	<b>3.560.140</b>	<b>243.656</b>	<b>(18.569.673)</b>	<b>(104.336)</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 2.979.

(\*\*) 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 – September 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	-	-	-	12,50
Banks	-	0,04	-	18,41
Financial Assets at Fair Value Through Profit or Loss (Net)	4,33	4,45	-	17,83
Interbank Money Market Placements	-	0,03	-	18,34
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	18,93
Loans	3,52	4,00	-	18,41
Financial Assets Measured at Amortized Cost	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	14,99
Other Deposits	0,09	0,53	-	16,47
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Securities Issued (Net)	-	-	-	20,51
Funds Provided from Other Financial Institutions	5,28	1,96	-	-

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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**

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

As of September 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.

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

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

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.

**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.



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

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

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

**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 80% of total liabilities.

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

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

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

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

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

Current Period – 30.09.2021	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			22.527.367	17.267.683
<b>Cash Outflows</b>				
Real person and retail deposits	28.287.271	20.643.333	2.718.819	2.064.334
Stable deposits	2.198.143	-	109.906	-
Less stable deposits	26.089.128	20.643.333	2.608.913	2.064.334
Unsecured debts other than real person and retail deposits	15.053.403	9.507.544	7.166.679	4.100.313
Operational deposits	-	-	-	-
Non-operational deposits	14.112.842	9.480.855	6.226.118	4.073.624
Other unsecured debts	940.561	26.689	940.561	26.689
Secured debts	-	-	-	-
Other cash outflows	850.150	5.400.781	850.150	5.400.781
Derivative liabilities and collateral completion liabilities	850.150	5.400.781	850.150	5.400.781
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	12.495.867	6.978.869	1.533.098	1.117.051
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>12.268.746</b>	<b>12.682.479</b>
<b>Cash Inflows</b>				
Secured liabilities	-	-	-	-
Unsecured liabilities	7.479.242	3.850.995	5.646.600	2.978.479
Other cash inflows	105.353	3.485.328	105.353	3.485.328
<b>TOTAL CASH INFLOWS</b>	<b>7.584.595</b>	<b>7.336.323</b>	<b>5.751.953</b>	<b>6.463.807</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY</b>			<b>22.527.367</b>	<b>17.267.683</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>6.516.793</b>	<b>6.218.672</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>345,6</b>	<b>277,6</b>

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

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

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

	Current Period - 30.09.2021			
	TL+FC		FC	
<b>Highest (%)</b>	<b>488,54</b>		<b>366,58</b>	
<b>Date</b>	05.08.2021		02.09.2021	
<b>Lowest (%)</b>	<b>255,13</b>		<b>221,63</b>	
<b>Date</b>	15.09.2021		01.07.2021	
<b>Average (%)</b>	<b>345,68</b>		<b>277,67</b>	
	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>Prior Period – 31.12.2020</b>				
<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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LIQUIDITY COVERAGE RATIO (Continued)**

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

<b>Current Period – September 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>	1.801.942	5.365.455	-	-	-	-	-	7.167.397
Banks <sup>(****)</sup>	57.749	1.029.615	-	-	-	-	-	1.087.364
Financial Assets at Fair Value through Profit or Loss (Net) <sup>(**)</sup>	-	179.551	141.580	210.407	2.014.646	82.074	5.567	2.633.825
Interbank Money Market Placements <sup>(****)</sup>	-	16.378.799	-	-	-	-	-	16.378.799
Financial Assets at Fair Value through Other Comprehensive Income	-	7.908	-	674.944	2.577.316	224.156	-	3.484.324
Loans	-	13.805.855	105.545	2.382.257	4.784.253	324.677	138.242	21.540.829
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	1.710	-	6	15.238	-	1.056.901	1.073.855
<b>Total Assets</b>	<b>1.859.691</b>	<b>36.768.893</b>	<b>247.125</b>	<b>3.267.614</b>	<b>9.391.453</b>	<b>630.907</b>	<b>1.200.710</b>	<b>53.366.393</b>
<b>Liabilities</b>								
Bank Deposits	139.217	303.668	-	-	-	-	-	442.885
Other Deposits	16.568.536	20.917.780	4.327.896	553.117	6.715	-	-	42.374.044
Funds Provided from Other Financial Institutions	-	-	-	-	-	-	-	-
Money Market Borrowings	-	-	6.434	-	-	-	826.493	832.927
Issued Marketable Securities (Net)	-	-	598.270	-	-	-	-	598.270
Miscellaneous Payables	15.348	725.213	-	636.385	-	1.351.992	-	2.728.938
Other Liabilities <sup>(**)(***)</sup>	-	98.234	180.708	391.036	1.600.500	49.423	4.069.428	6.389.329
<b>Total Liabilities</b>	<b>16.723.101</b>	<b>22.044.895</b>	<b>5.113.308</b>	<b>1.580.538</b>	<b>1.607.215</b>	<b>1.401.415</b>	<b>4.895.921</b>	<b>53.366.393</b>
<b>Net Liquidity Excess / (Gap)</b>	<b>(14.863.410)</b>	<b>14.723.998</b>	<b>(4.866.183)</b>	<b>1.687.076</b>	<b>7.784.238</b>	<b>(770.508)</b>	<b>(3.695.211)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>(190.533)</b>	<b>(124.785)</b>	<b>194.491</b>	<b>16.491</b>	<b>-</b>	<b>-</b>	<b>(104.336)</b>
Derivative Financial Assets	-	29.468.808	9.659.016	8.947.209	15.791.391	1.274.381	-	65.140.805
Derivative Financial Liabilities	-	29.659.341	9.783.801	8.752.718	15.774.900	1.274.381	-	65.245.141
Non-cash Loans	7.614.411	4.991	80.039	1.462.490	26.098	731	-	9.188.760
<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 2.979

**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 November 5, 2013.

	<b>Current Period</b> <b>30.09.2021</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)	37.927.588	44.770.911
2 (Assets deducted from core capital)	(217.147)	(210.319)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	37.710.441	44.560.592
<b>Derivative Financial Instruments and Loan Derivatives</b>		
4 Renewal cost of derivative financial instruments and loan derivatives	127.506	884.240
5 Potential credit risk amount of derivative financial instruments and loan derivatives	552.261	345.254
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	679.767	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)	255.124	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)	255.124	73.322
<b>Off-the-Balance Sheet Transactions</b>		
10 Gross nominal amount of the off-the-balance sheet transactions	21.176.520	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)	21.176.520	21.956.834
<b>Capital and Total Risk</b>		
13 Core capital	3.967.579	3.618.495
14 Total risk amount (sum of lines 3,6,9 and 12)	59.821.852	67.820.242
<b>Transition Process Unapplied Leverage Ratio</b>		
15 Transition process unapplied leverage ratio (%)	6,63	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 October 23, 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Group, the following required tables have not been presented on September 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 September 30, 2021	Prior Period December 31, 2020	Capital Requirements Current Period September 30, 2021
Credit risk (excluding counterparty credit risk)	24.808.694	24.885.622	1.984.696
Standardised approach	24.808.694	24.885.622	1.984.696
Internal rating-based approach	-	-	-
Counterparty credit risk	848.358	1.114.658	67.869
Standardised approach for counterparty credit risk	848.358	1.114.658	67.869
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	2.144.150	1.523.913	171.532
Standardised approach	2.144.150	1.523.913	171.532
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>31.394.403</b>	<b>30.493.047</b>	<b>2.511.553</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.

	<b>Retail Banking</b>	<b>Corporate and Investment Banking</b>	<b>Treasury and Capital Markets</b>	<b>Other</b>	<b>Group's Total Activities</b>
<b>Current Period – September 30, 2021</b>					
Operating Income	551.005	956.560	421.482	14.434	1.943.481
Other	-	-	-	-	-
<b>Operating Income</b>	<b>551.005</b>	<b>956.560</b>	<b>421.482</b>	<b>14.434</b>	<b>1.943.481</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(88.293)	609.153	213.854	(33.379)	701.335
<b>Profit before Tax</b>	<b>(88.293)</b>	<b>609.153</b>	<b>213.854</b>	<b>(33.379)</b>	<b>701.335</b>
Corporate Tax Provision <sup>(*)</sup>	-	-	-	(169.145)	(169.145)
<b>Profit after Tax</b>	<b>(88.293)</b>	<b>609.153</b>	<b>213.854</b>	<b>(202.524)</b>	<b>532.190</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(88.293)</b>	<b>609.153</b>	<b>213.854</b>	<b>(202.524)</b>	<b>532.190</b>
Segment Assets	3.016.951	12.299.510	38.049.712	-	53.366.173
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>3.016.951</b>	<b>12.299.510</b>	<b>38.049.712</b>	<b>220</b>	<b>53.366.393</b>
Segment Liabilities	28.957.201	14.372.335	4.753.607	1.247.032	49.330.175
Undistributed Liabilities	-	-	-	4.036.218	4.036.218
<b>Total Liabilities</b>	<b>28.957.201</b>	<b>14.372.335</b>	<b>4.753.607</b>	<b>5.283.250</b>	<b>53.366.393</b>
<b>Other Segment Items</b>	<b>(110.755)</b>	<b>-</b>	<b>(4.029)</b>	<b>(19.658)</b>	<b>(134.442)</b>
Capital Investment	-	-	-	81.295	81.295
Amortization	(429)	-	-	(100.953)	(101.382)
Impairment	-	-	(4.029)	-	(4.029)
Non-Cash Other Income-Expense <sup>(**)</sup>	(110.326)	-	-	-	(110.326)

<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	Other	Group's Total Activities
<b>Prior Period – December 31, 2020 <sup>(***)</sup></b>					
Operating Income	579.742	790.238	498.607	(18.453)	1.850.134
Other	-	-	-	-	-
<b>Operating Income</b>	<b>579.742</b>	<b>790.238</b>	<b>498.607</b>	<b>(18.453)</b>	<b>1.850.134</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(161.808)	173.935	359.968	(2.707)	369.388
<b>Profit before Tax</b>	<b>(161.808)</b>	<b>173.935</b>	<b>359.968</b>	<b>(2.707)</b>	<b>369.388</b>
Corporate Tax Provision <sup>(*)</sup>	-	-	-	(104.408)	(104.408)
<b>Profit after Tax</b>	<b>(161.808)</b>	<b>173.935</b>	<b>359.968</b>	<b>(107.115)</b>	<b>264.980</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(161.808)</b>	<b>173.935</b>	<b>359.968</b>	<b>(107.115)</b>	<b>264.980</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>814.808</b>	<b>(1.394)</b>	<b>(10.518)</b>	<b>97.105</b>	<b>900.001</b>
Capital Investment	-	-	-	97.105	97.105
Amortization	(81.500)	(1.394)	(382)	-	(83.276)
Impairment	-	-	(10.136)	-	(10.136)
Non-Cash Other Income-Expense <sup>(**)</sup>	896.308	-	-	-	896.308

(\*) 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 September 30, 2020.



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**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED  
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**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 September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Cash/Foreign Currency The CBRT	80.881	858.409	74.523	763.208
	880.178	5.349.017	121.663	6.132.889
<b>Total</b>	<b>961.059</b>	<b>6.207.426</b>	<b>196.186</b>	<b>6.896.097</b>

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

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Unrestricted Demand Deposit	853.227	9.577	116.499	8.265
Unrestricted Time Deposit	26.951	-	5.164	2.594.328
Restricted Time Deposit	-	-	-	-
Reserve Requirements	-	5.339.440	-	3.530.296
<b>Total</b>	<b>880.178</b>	<b>5.349.017</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 September 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% - 24% 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 September 30, 2021	Prior Period December 31, 2020
Collateral/Blocked	-	-
Repurchase Agreement	-	-
Unrestricted	882.251	355.078
<b>Total</b>	<b>882.251</b>	<b>355.078</b>

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

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Forward Transactions	132	121.038	684	302.988
Swap Transactions	138.878	349.908	408.240	384.481
Futures Transactions	-	-	-	-
Options	-	1.136.051	-	924.415
Other	-	-	-	-
<b>Total</b>	<b>139.010</b>	<b>1.606.997</b>	<b>408.924</b>	<b>1.611.884</b>

**c) Information on Banks:**

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

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TP	YP
<b>Banks</b>				
Domestic	36.633	-	2.584	-
Foreign	-	1.050.738	-	27.102
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>36.633</b>	<b>1.050.738</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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**I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)**

**d) Information on Financial Assets Fair Value Through Other Comprehensive Income Given as Collateral/Blocked and Subject to Repurchase Agreements**

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

	Current Period September 30, 2021	Prior Period December 31, 2020
Collateral/Blocked	1.686.884	1.662.904
Repurchase Agreement	-	1.243.581
Unrestricted	1.797.440	2.108.440
<b>Total</b>	<b>3.484.324</b>	<b>5.014.925</b>

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

	Current Period September 30, 2021	Prior Period December 31, 2020
<b>Debt Securities</b>	<b>3.564.027</b>	<b>5.026.843</b>
Quoted to Stock Exchange	3.564.027	5.026.843
Not Quoted	-	-
<b>Share Certificate</b>	-	-
Quoted to Stock Exchange	-	-
Not Quoted	-	-
<b>Impairment Provision (-)</b>	<b>79.703</b>	<b>11.918</b>
<b>Total</b>	<b>3.484.324</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:**

	Current Period September 30, 2021		Prior Period December 31, 2020	
	Cash	Non-cash	Cash	Non-cash
<b>Direct Loans Granted to Shareholders</b>	-	<b>60.393</b>	-	<b>70.035</b>
Corporate Shareholders	-	60.393	-	70.035
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	<b>685.652</b>	<b>49.609</b>	<b>465.254</b>
<b>Loans Granted to Employees</b>	<b>17.296</b>	-	<b>16.519</b>	-
<b>Total</b>	<b>17.296</b>	<b>746.045</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>16.450.638</b>	<b>3.703.978</b>	<b>2.392.405</b>	-
Discount Notes	10.433.874	2.921.286	2.256.352	-
Export Loans	649.551	28.939	110.906	-
Import Loans	2.250.889	346.132	-	-
Loans Given to Financial Sector	277.531	-	-	-
Retail Loans	1.150.619	107.831	2.215	-
Credit Cards	1.680.233	299.790	22.932	-
Other	7.941	-	-	-
<b>Specialized Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>16.450.638</b>	<b>3.703.978</b>	<b>2.392.405</b>	-

<sup>(\*)</sup> Includes the factoring receivables amounting to TL 149.529.

	Current Period September 30, 2021		Prior Period December 31, 2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	115.388	-	145.629	-
Significant Increase in Credit Risk	-	1.029.046	-	985.195
<b>Total</b>	<b>115.388</b>	<b>1.029.046</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>85.660</b>	<b>1.053.756</b>	<b>1.139.416</b>
Mortgage Loans	-	181.853	181.853
Vehicle Loans	3.675	65.730	69.405
Consumer Loans	81.985	805.317	887.302
Other	-	856	856
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>320</b>	<b>320</b>
Mortgage Loans	-	320	320
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>1.960.077</b>	<b>16.943</b>	<b>1.977.020</b>
Instalment	657.402	16.943	674.345
Non Instalment	1.302.675	-	1.302.675
<b>Individual Credit Cards-FC</b>	<b>8.586</b>	<b>-</b>	<b>8.586</b>
Instalment	478	-	478
Non Instalment	8.108	-	8.108
<b>Personnel Loans-TL</b>	<b>473</b>	<b>9.252</b>	<b>9.725</b>
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	473	9.252	9.725
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>7.499</b>	<b>2</b>	<b>7.501</b>
Instalment	3.396	2	3.398
Non Instalment	4.103	-	4.103
<b>Personnel Credit Cards-FC</b>	<b>70</b>	<b>-</b>	<b>70</b>
Instalment	-	-	-
Non Instalment	70	-	70
<b>Overdraft Account-TL (Individual)</b>	<b>111.204</b>	<b>-</b>	<b>111.204</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>2.173.569</b>	<b>1.080.273</b>	<b>3.253.842</b>

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

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

	Short-term	Medium and Long-term	Total
<b>Commercial Instalment Loans-TL</b>	-	6.184	6.184
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	6.184	6.184
Other	-	-	-
<b>Commercial Instalment Loans- FC Indexed</b>	-	20.678	20.678
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	20.678	20.678
Other	-	-	-
<b>Commercial Instalment Loans-FC</b>	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	8.500	-	8.500
Instalment	1.445	-	1.445
Non Instalment	7.055	-	7.055
<b>Corporate Credit Cards-FC</b>	1.278	-	1.278
Instalment	-	-	-
Non Instalment	1.278	-	1.278
<b>Overdraft Account-TL (Commercial)</b>	-	-	-
<b>Overdraft Account-FC (Commercial)</b>	-	-	-
<b>Total</b>	<b>9.778</b>	<b>26.862</b>	<b>36.640</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 September 30, 2021	Prior Period December 31, 2020
Domestic Loans	22.240.266	25.336.102
Foreign Loans	306.755	377.148
<b>Total (*)</b>	<b>22.547.021</b>	<b>25.713.250</b>

(\*) As of September 30, 2021, includes the factoring receivables amounting to TL 149.529 (December 31, 2020: TL 59.847).

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

As of September 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 September 30, 2021	Prior Period December 31, 2020
Loans with Limited Collectability	36	487
Loans with Doubtful Collectability	17.221	17.650
Uncollectible Loans	318.872	459.634
<b>Total</b>	<b>336.129</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: September 30, 2021</b>			
Gross Amounts Before Provisions	-	-	80.440
Rescheduled Loans	-	-	80.440
<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 (+)	1.577	33.205	428
Transfers from Other Categories of Non-Performing Loans (+)	-	1.564	26.381
Transfers to Other Categories of Non-Performing Loans (-)	1.564	26.371	-
Collections (-)	483	8.924	41.772
Write-offs (-) <sup>(*)</sup>	-	-	131.311
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Balance at the End of the Period: September 30, 2021</b>	<b>564</b>	<b>22.271</b>	<b>451.536</b>
Provisions (-)	36	17.221	318.872
<b>Net Balance in Balance Sheet</b>	<b>528</b>	<b>5.050</b>	<b>132.664</b>

(\*) As of September 30, 2021, the Parent Bank's non-performing loan ratio decreased from 2.60% to 2.10% (December 31, 2020: 2.40%) after the loans written off in the current period in accordance with the amendment in the related Provisions Regulation.

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

As of September 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:**

	<b>III. Group Loans with Limited Collectability and other receivables</b>	<b>IV. Group Loans with Doubtful Collectability and other receivables</b>	<b>V. Group Uncollectible Loan and other receivables s</b>
<b>Current Period (Net): September 30, 2021</b>	<b>528</b>	<b>5.050</b>	<b>132.664</b>
Loans granted to corporate entities and real persons (Gross)	564	22.271	451.536
Provisions Amount (-)	36	17.221	318.872
Loans granted to corporate entities and real persons (Net)	528	5.050	132.664
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)	-	-	-
	<b>III. Group Loans with Limited Collectability</b>	<b>IV. Group Loans with Doubtful Collectability</b>	<b>V. Group Uncollectible Loans</b>
<b>Current Period (Net)</b>	<b>8</b>	<b>369</b>	<b>6.372</b>
Interest Accruals and Rediscount with Valuation Differences	21	2.333	16.733
Provision amount (-)	13	1.964	10.361
<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:**

Within the scope of the “Regulation Amending the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Set aside”, published in the Official Gazette dated November 27, 2019 and numbered 30961, the Parent Bank, the loans classified as “Fifth Group-Loans with Loss Qualification”, It can remove the portion that has no reasonable expectation of its recovery from the balance sheet. The Parent Bank makes an objective evaluation while determining whether there are reasonable expectations.



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All of the loans that meet the following conditions are considered by the Parent Bank as having lost their ability completely to collect and all risks of these loans are written off:

- When Unsecured Individual products reach a delay of more than 3 years (1080 days),
- When there is no guarantee left for the Guaranteed Individual products and the delay period exceeds 3 years (1080 days),
- In case a customer has more than one Unsecured and Secured Loans, all accounts belonging to the customer are deducted from the record after all of their loans meet the above 2 criteria.

The deduction of these loans, which cannot be collected, is an accounting practice and does not result in the waiver of the right to receivable.

In addition to these, operational write-off is applied to accounts that have a negligible collection potential and whose recovery process has been exhausted, and such accounts are made a loss without any collection activity. The list of customers to be included is determined annually by considering objective and subjective criteria, and action is taken with the decision of the board of directors.

**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 September 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 September 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 September 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 September 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 September 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.	Esenetepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	100,00	-

**a) 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
3.005	3.004	-	-	-	374	501	-

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

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

**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.	Esenetepe 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
168.289	105.818	4.098	7.761	755	19.086	22.914	-

(\*) Prepared with audited prior period financial as of June 30, 2021.

(\*\*) Prepared with audited prior period financial as of June 30, 2020.

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

	Current Period September 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 September 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 September 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 September 30, 2021 and December 31, 2020.
2. As of September 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 September 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 September 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 September 30, 2021 and December 31, 2020, the Group has no investment properties.

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

As of September 30, 2021, foreign currency deferred tax asset of the Group is TL 275.452 (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 September 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 September 30, 2021, assets held for sale of the Group is TL 559 (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 September 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Miscellaneous Receivables <sup>(*)</sup>	219.343	124.158
Prepaid Expenses	56.028	68.236
Debited Suspense Accounts	82.960	58.243
Other Rediscount Income <sup>(**)</sup>	36.172	16.932
Other Assets	9.300	8.756
<b>Total</b>	<b>403.803</b>	<b>276.325</b>

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

<sup>(\*\*)</sup> As of September 30, 2021 amount of TL 3.056 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 September 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 – September 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	430.889	-	1.416.264	4.570.660	591.261	200.683	245.848	-	7.455.605
Foreign Currency Deposits	10.886.519	-	6.914.089	7.579.224	213.680	105.176	147.827	-	25.846.515
Residents in Turkey	9.759.156	-	6.763.349	6.915.526	125.503	60.125	66.191	-	23.689.850
Residents Abroad	1.127.363	-	150.740	663.698	88.177	45.051	81.636	-	2.156.665
Public Sector Deposits	2.742	-	-	-	-	-	-	-	2.742
Commercial Deposits	811.700	-	3.222.348	182.181	20.932	31.276	-	-	4.268.437
Other Institutions Deposits	5.746	-	419	-	-	-	-	-	6.165
Precious Metal Deposit	4.430.940	-	25.006	327.512	6.086	4.638	398	-	4.794.580
Bank Deposit	139.217	-	303.668	-	-	-	-	-	442.885
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	139.217	-	303.668	-	-	-	-	-	442.885
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16.707.753</b>	<b>-11.881.794</b>	<b>12.659.577</b>	<b>831.959</b>	<b>341.773</b>	<b>394.073</b>	<b>-</b>	<b>-</b>	<b>42.816.929</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>- 6.743.674</b>	<b>8.670.878</b>	<b>624.893</b>	<b>142.932</b>	<b>179.827</b>	<b>-</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:**

Saving Deposits	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Current Period September 30, 2021	Current Period September 30, 2021	Prior Period December 31, 2020	Prior Period December 31, 2020
Saving Deposits	2.783.176	4.672.429	2.088.283	2.341.246
Foreign Currency Saving Deposits	3.535.347	13.448.005	3.366.384	9.692.579
Other Deposits in the Form of Saving Deposits	651.800	3.952.305	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>6.970.323</b>	<b>22.072.739</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 September 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	28.421	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 September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Forward Transactions	-	191.541	-	179.701
Swap Transactions	104.516	171.887	374.618	402.235
Future Transactions	-	-	-	-
Options	-	1.137.108	-	926.617
Other	-	-	-	-
<b>Total</b>	<b>104.516</b>	<b>1.500.536</b>	<b>374.618</b>	<b>1.508.553</b>

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

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

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

**d) Information on Funds Borrowed:**

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

	Current Period September 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	-	1.376.946	-	1.931.228
<b>Total</b>	-	<b>1.376.946</b>	-	<b>1.931.228</b>

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

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Short-Term	-	15.348	-	742.670
Medium and Long-Term	-	1.361.598	-	1.188.558
<b>Total</b>	-	<b>1.376.946</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 September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Banka Bonoları	598.270	-	951.920	-
Tahviller	-	-	-	-
<b>Total</b>	<b>598.270</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 September 30, 2021	Prior Period December 31, 2020
Less than 1 year	4.650	5.236
Between 1- 4 years	36.759	39.262
More than 4 years	60.807	58.458
<b>Total</b>	<b>102.216</b>	<b>102.956</b>

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

As of September 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</b>	<b>Prior Period</b>
	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Provisions for off-balance sheet commitments (*)	44.189	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 September 30, 2021, the Group has employee termination benefit provision amounting to TL 54.944 (December 31, 2020: TL 62.161), and unused vacation provision amounting to TL 16.209 (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 8.284,51 (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 January 1, 2021, TL 8.284,51 (full TL) (December 31, 2020: TL 7.117,17 (full TL)).

	<b>Current Period</b>	<b>Prior Period</b>
	<b>September 30, 2021</b>	<b>December 31, 2020</b>
As of January 1	62.161	57.901
Service Cost	2.895	3.979
Interest Cost	5.969	6.762
Actuarial Loss / (Gain)	(13.010)	(5.017)
Paid in Current Period	(3.071)	(1.464)
<b>Total</b>	<b>54.944</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 September 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 September 30, 2021, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.392 (December 31, 2020: TL 1.793).

**5. Information on restructuring provisions:**

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

**6. Information on other provisions:**

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

As of September 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 September 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Provision for Lawsuits	47.818	37.395
Provision for Accumulated Credit Card Bonus	3.275	2.962
Return Provision of Case File Expenses	295	298
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.392	1.793
Other Provisions <sup>(*)</sup>	63.781	67.891
<b>Total</b>	<b>116.561</b>	<b>110.339</b>

<sup>(\*)</sup> As of September 30, 2021, other provisions amounting TL 44.189 (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 September 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Taxation on Marketable Securities	12.725	25.548
Banking Insurance Transaction Tax (BITT)	15.401	14.319
Corporate Taxes Payable	1.149	1.132
Capital Gains Tax on Property	134	600
Value Added Tax Payable	2.249	2.690
Foreign Exchange Transaction Tax	36.505	58.258
Other <sup>(*)</sup>	10.663	8.844
<b>Total</b>	<b>78.826</b>	<b>111.391</b>

<sup>(\*)</sup> As of September 30, 2021, other taxes payable amount consists of payroll tax amounting to TL 9.634 (December 31, 2020: TL 7.311), stamp tax amounting to TL 294 (December 31, 2020: TL 235), other taxes amounting to TL 576 (December 31, 2020: TL 1.039) and self-employed income tax amounting to TL 159 (December 31, 2020: TL 259).

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

	<b>Current Period September 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Social Security Premiums – Employer	7.081	4.092
Social Security Premiums – Employee	4.163	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	598	594
Unemployment Insurance – Employee	508	417
Other	-	-
<b>Total</b>	<b>12.350</b>	<b>11.040</b>

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

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

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

As of September 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 September 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 September 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:**

	Current Period September 30, 2021		Prior Period 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>(78.504)</b>	-	<b>9.735</b>	-
Valuation Difference	(78.504)	-	9.735	-
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>(78.504)</b>	-	<b>9.735</b>	-

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

As of September 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 September 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Asset Purchase and Sale Commitments	8.291.339	14.713.727
Commitments for Credit Card Limits	3.422.547	3.308.035
Commitments for Cheques	14.766	15.531
Loan Granting Commitments	240.191	188.459
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	21.127	18.102
Tax and Fund Liabilities from Export Commitments	2.286	2.286
Other Irrevocable Commitments	542.974	542.659
<b>Total</b>	<b>12.535.230</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 September 30, 2021</b>	<b>Prior Period December 31, 2020</b>
Letters of Guarantee	5.320.414	4.047.939
Letters of Credit	3.628.784	2.027.452
Bank Acceptances	1.181	412
Other Guarantees	238.381	203.954
<b>Total</b>	<b>9.188.760</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 September 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>9.188.760</b>	<b>6.279.757</b>
<b>Total</b>	<b>9.188.760</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 September 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 September 30, 2021, the total amount of these lawsuits filed against the Bank is TL 47.818 (December 31, 2020: TL 37.395). A total provision of TL 295 (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 48.113 (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		Prior Period	
	September 30, 2021		September 30, 2020	
	TL	FC	TL	FC
<b>Interest Income on Loans</b> <sup>(*)</sup>				
Short-Term Loans	978.852	150.513	599.491	75.163
Medium and Long-Term Loans	185.808	315.411	171.039	332.290
Interest on Loans Under Follow-Up	13.945	1.523	16.581	100
Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>1.178.605</b>	<b>467.447</b>	<b>787.111</b>	<b>407.553</b>

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

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

	Current Period		Prior Period	
	September 30, 2021		September 30, 2020	
	TL	FC	TL	FC
From the CBRT	97	-	569	-
From Domestic Banks	156.624	2	27.196	-
From Foreign Banks	412	397	1.207	2.986
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>157.133</b>	<b>399</b>	<b>28.972</b>	<b>2.986</b>

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

	Current Period		Prior Period	
	September 30, 2021		September 30, 2020	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	80.591	4.808	34.896	4.378
Financial Assets at Fair Value Through Other Comprehensive Income	474.986	-	262.370	-
Financial Assets Measured at Amortized Cost	-	-	-	-
<b>Total</b>	<b>555.577</b>	<b>4.808</b>	<b>297.266</b>	<b>4.378</b>

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

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

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

**b) Information on Interest Expense:**

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

	Current Period September 30, 2021		Prior Period September 30, 2020	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	90.417	-	88.652
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>90.417</b>	<b>-</b>	<b>88.652</b>

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

None.

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

	Current Period September 30, 2021		Prior Period September 30, 2020	
	TL	FC	TL	FC
Interest expense to marketable securities issued	150.425	-	-	-
<b>Total</b>	<b>150.425</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

Current Period: September 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	-	38.270	-	-	-	-	-	38.270
Saving deposits	-	148.871	563.113	78.264	38.897	16.808	-	845.953
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	248.829	32.800	7.560	2.276	-	-	291.465
Other deposits	-	23	-	-	-	-	-	23
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>435.993</b>	<b>595.913</b>	<b>85.824</b>	<b>41.173</b>	<b>16.808</b>	<b>-</b>	<b>1.175.711</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	11.621	28.150	705	2.045	234	-	42.755
Interbank deposits	-	2	-	-	-	-	-	2
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	7	328	5	3	-	-	343
<b>Total</b>	<b>-</b>	<b>11.630</b>	<b>28.478</b>	<b>710</b>	<b>2.048</b>	<b>234</b>	<b>-</b>	<b>43.100</b>
<b>Grand Total</b>	<b>-</b>	<b>447.623</b>	<b>624.391</b>	<b>86.534</b>	<b>43.221</b>	<b>17.042</b>	<b>-</b>	<b>1.218.811</b>



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

Prior Period: September 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	-	15.364	-	-	-	-	-	15.364
Saving deposits	-	49.015	168.555	4.303	2.809	3.624	-	228.306
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	137.024	19.284	3.843	3.128	2.712	-	165.991
Other deposits	-	6	-	-	-	-	-	6
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>201.409</b>	<b>187.839</b>	<b>8.146</b>	<b>5.937</b>	<b>6.336</b>	-	<b>409.667</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	13.683	28.578	2.092	3.686	1.614	-	49.653
Interbank deposits	-	6	-	-	-	-	-	6
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	4	492	9	17	-	-	522
<b>Total</b>	-	<b>13.693</b>	<b>29.070</b>	<b>2.101</b>	<b>3.703</b>	<b>1.614</b>	-	<b>50.181</b>
<b>Grand Total</b>	-	<b>215.102</b>	<b>216.909</b>	<b>10.247</b>	<b>9.640</b>	<b>7.950</b>	-	<b>459.848</b>

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

As of September 30, 2021, the Group has interest given on repurchase agreements amounting to TL 31.286 (September 30, 2020: TL 118.787).

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

As of September 30, 2021, the Group has lease expenses amounting to TL 13.745 (September 30, 2020: TL 12.779).

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

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

**c) Explanations on Dividend Income:**

The Group's dividend income for the interim accounting period ending on September 30, 2021 is TL 219 (September 30, 2020: TL 89).

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

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

	Current Period September 30, 2021	Prior Period September 30, 2020
<b>Profit</b>	<b>185.197.543</b>	<b>81.175.855</b>
Capital Market Transactions Income	217.778	275.383
Gain on Derivative Financial Transactions	5.293.589	7.875.608
Foreign Exchange Gains	179.686.176	73.024.864
<b>Loss (-)</b>	<b>184.903.756</b>	<b>80.737.388</b>
Capital Market Transactions Loss	193.900	154.371
Loss on Derivative Financial Transactions	4.956.949	6.986.756
Foreign Exchange Loss	179.752.907	73.596.261
<b>Total (Net)</b>	<b>293.787</b>	<b>438.467</b>

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

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

	<b>Current Period September 30, 2021</b>	<b>Prior Period September 30, 2020</b>
Reverse of Previous Years Expenses <sup>(*)</sup>	75.515	143.386
Gain on Sale of Assets <sup>(**)</sup>	29.834	1.761
Provision for Telecommunication Expense	2.740	2.450
Other Income	47.159	41.349
<b>Total</b>	<b>155.248</b>	<b>188.946</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 September 30, 2021</b>	<b>Prior Period September 30, 2020</b>
Expected Credit Loss	57.959	393.753
12 Months Expected Credit Loss (Stage 1)	-	67.133
Significant Increase in Credit Risk (Stage 2)	57.959	252.676
Non-performing Loans (Stage 3)	-	73.944
Marketable Securities Impairment Expense	4.029	10.136
Financial Assets at Fair Value Through Profit or Loss	2.724	10.136
Financial Assets at Fair Value Through Other Comprehensive Income	1.305	-
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>61.988</b>	<b>403.889</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</b>	<b>Prior Period</b>
	<b>September 30, 2021</b>	<b>September 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	57.593	53.843
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	43.787	29.412
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	21
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	185.341	302.461
Leasing Expenses on TFRS 16 Exceptions	7.042	4.914
Maintenance Licensing Expenses	53.784	41.319
Maintenance Expenses	19.078	19.181
Communication Expenses	10.899	11.193
Advertisement Expenses	25.499	21.254
Other Expenses	69.039	204.600
Loss on Sales of Assets	1.976	5.709
Tax, Duties, Charges and Funds Expenses	79.948	61.918
Saving Deposit Insurance Fund Expenses	40.866	42.386
Other <sup>(*)</sup>	280.503	192.410
<b>Total</b>	<b>690.016</b>	<b>688.160</b>

(\*) Other line amount TL 280.053 (September 30, 2020: TL 192.410) consists of balances from these items respectively; TL 929 of audit and consultancy fees (September 30, 2020: TL 892), TL 343 of the arbitration committee expenses (September 30, 2020: TL 437) and the remaining TL 279.231 consists of other expenses (September 30, 2020: TL 191.081)

**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 September 30, 2021, the Group has corporate tax provision expense amounting to TL 191.595 (September 30, 2020: TL 134.592 expense) and deferred tax expense of TL 22.450 (September 30, 2020: TL 30.184 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 1.120.032 (September 30, 2020: TL 910.983), net wage and commission income amounting to TL 374.195 (September 30, 2020: TL 311.649) have an important role among the income items in the accounting period ending on September 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 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 September 30, 2021</b>	<b>Prior Period September 30, 2020</b>
Credit Card Transactions	141.050	103.806
Insurance Commissions	32.371	28.987
Commissions Received from Banking Transactions	7.996	9.253
Fund Platform	53.924	55.955
Other Fee and Commissions	95.626	84.881
<b>Total</b>	<b>330.967</b>	<b>282.882</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 – September 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	-	-	-	746.045	25	-
Interest and Commission Income	-	-	863	6.574	-	-

**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 <sup>(*)</sup>	-	-	1.207	137	-	-

<sup>(\*)</sup> The prior period balances present amounts of September 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 September 30, 2021	Current Period September 30, 2021	Current Period September 30, 2021	Current Period September 30, 2021
<b>Deposit</b>					
Opening Balance	2.640	186.266		42.579	
Closing Balance	3.038	139.201		34.868	
Interest expense on deposits	-	-		927	

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 <sup>(*)</sup>	-	-		306	

<sup>(\*)</sup> The prior period balances present amounts of September 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 September 30, 2021	Current Period September 30, 2021	Current Period September 30, 2021	Current Period September 30, 2021
<b>The Fair Value Differences Through Profit and Loss</b>					
Opening Balance	-	42.775.309		2.623	
Closing Balance	-	35.470.712		-	
Total Profit/Loss	-	89.114		-	
<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>	-	47.784	-
<b>Transactions for Hedging Purposes</b>			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss <sup>(*)</sup>	-	-	-

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

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

As of September 30, 2021, payment is made to the Board of Directors and top executives of the Group amounting to TL 43.391 (September 30, 2020: TL 43.145).

**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 September 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 November 22, 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 September 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 September 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 September 30, 2021, the Parent Bank has 76 branches dispersed throughout the country (December 31, 2020: 77 branches). As of September 30, 2021, the number of employees of the group is 1.968 (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 – September 30, 2021 period.

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

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

<b>Name and Surname</b>	<b>Title</b>
Paul Joseph Lawrence	Chairman
Didem Çerçi	Chairman Deputy
Süleyman Selim Kervancı	Member, CEO
Robert Adrian Underwood	Member
Ayşe Ebru Dorman	Member
Edward Micheal Flanders	Member
Christopher 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
Christopher James Hatton	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 September 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 Yenel	Deputy CEO	Retail Banking
Burçin Ozan	Deputy CEO	Finance
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
Tuğçe Bora Kılıç	Deputy CEO	Technology and Services
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 September 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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CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER  
RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)**

**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 September 30, 2021, HSBC Bank A.Ş.'s total assets realised at TL 53.4 billion increased by 23% compared to the end of 2020. Loans, which form nearly 40% of the assets, seem to be around TL 23 billion. Deposits, which are the balance sheet's biggest funding source, have been realised at around TL 42.8 billion and formed 80% 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>30.09.2021</b>	<b>31.12.2020</b>
Financial Assets (Net)	30.751.709	17.855.558
Other Financial Assets Measured at Amortized Cost	21.540.829	24.726.296
Non-Current Assets or Disposal Groups "Held for Sale" and "Held from Discontinued Operations" (Net)	559	1.221
Equity Investments	220	220
Property and Equipment (Net)	191.154	221.432
Intangible Assets (Net)	202.667	181.806
Investment Property (Net)	-	-
Current Tax Asset	-	-
Deferred Tax Asset	275.452	257.441
Other Assets	403.803	276.325
<b>Total Assets</b>	<b>53.366.393</b>	<b>43.515.425</b>
<b>LIABILITIES (Thousand TL)</b>	<b>30.09.2021</b>	<b>31.12.2020</b>
Deposits	42.816.929	30.923.078
Funds Borrowed	1.376.946	1.931.228
Money markets	-	1.242.251
Securities Issued (Net)	598.270	951.920
Funds	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-
Derivative Financial Liabilities	1.605.052	1.883.171
Factoring Liabilities	-	-
Lease Liabilities	102.216	102.956
Provisions	187.714	184.731
Current Tax Liability	91.176	122.431
Deferred Tax Liability	-	-
Liabilities Related to Non-Current Assets "Held For Sale" and "Held from Discontinued Operations"(Net)	-	-
Subordinated Debt	1.351.992	1.652.797
Other Liabilities	1.199.880	938.923
Shareholders' Equity	4.036.218	3.581.939
<b>Total Liabilities</b>	<b>53.366.393</b>	<b>43.515.425</b>

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

<b>STATEMENT OF INCOME (Thousand TL)</b>	<b>30.09.2021</b>	<b>30.09.2020</b>
Net Interest Income	1.120.032	910.983
Other Non-Interest Income	823.449	939.151
<b>Total Operating Income/Expense</b>	<b>1.943.481</b>	<b>1.850.134</b>
Other Operating Expenses (-)	1.156.793	1.073.867
Provision for Loan Losses (-)	85.353	406.879
Net Operating Income/(Loss)	<b>701.335</b>	<b>369.388</b>
Tax Provision (-)	169.145	104.408
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>532.190</b>	<b>264.980</b>

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**Message from the Chairman**

After witnessing improving global prospects in the first half of 2021, economic recovery continued in the second half but momentum weakened due to pandemic related disruptions. Whilst vaccine roll out programmes continue, the pace at which they are being undertaken across countries varies due to disparities in vaccine access and policy support. Increasing headline inflation rates across many economies along with climate change challenges are significant emerging risks and it will be important for economies to deal with the challenges of the post pandemic recovery whilst adopting sustainable practices. Given these and other headwinds we have revised down our global growth forecasts from 5.9% to 5.7% for 2021 and from 4.2% to 4.1% for 2022.

Strong activity continued in the Turkish economy in the third quarter. However, consumer inflation continued to rise due to strong domestic demand, depreciation of the Turkish Lira, and higher food and commodity prices , Whilst the current account deficit continues to narrow it is likely that pressure on the TL exchange rate will continue in the last quarter of the year. Following the Central Bank’s policy rate cut in September in an attempt to address core inflation, it is likely market focus will continue to be on monetary policy and inflation for the remainder of the year and into 2022.

Notwithstanding the effects of the pandemic, we continue to support the Turkish economy and our customers. We are doing this by growing our balance sheet and by leading the market with our diversified financing models and solutions to enable economic investment in line with our sustainability strategy.

We will continue to monitor developments as they relate to the after effects of the pandemic and monitor the emergence of other economic and geopolitical risks as we hopefully trend towards normalisation in the economic environment. Despite the ongoing challenges and uncertainties, we are committed to supporting our customers. I would like to sincerely thank the Board, the Management Team, all employees of HSBC Turkey and of course our customers for their trust and continuing commitment to HSBC.

Sincerely,

Paul Joseph Lawrence  
Chairman

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**Message from the CEO**

In the first half of 2021, we observed a strong recovery in global economies. However, the disruptions caused by the pandemic, increasing inflation, the removal of fiscal incentives in some countries and the significant differences in the vaccination practices of the countries caused the global growth to slow down. Given the ongoing risks, governments worldwide need to make every effort to implement life-saving vaccines as soon as possible, and to provide strong macro-economic policy support, increased public investment and enhanced structural reforms to support sustainable and equitable growth.

We see that the strong economic recovery continues in Turkey after the Covid-19 crisis. With positive base effects, strong export performance and domestic demand, we expect growth to approach 9% this year. On the other hand, consumer inflation approached 20% as of October due to relatively strong demand and rising costs. On the external balance side, Turkey's current account deficit narrowed further in July and August. Despite this, negative domestic real interest rates and global inflation concerns indicate that external financing will remain on the agenda.

On the other hand, we see that the banking sector started to get rid of the margin pressure it faced in the first half, with the repricing rate of assets exceeding liabilities. On the other hand, the strong course of economic activity and the postponement of some loan payments until the end of September limited the amount of non-performing loans and helped to keep provision expenses low. Considering all these, we can say that the third quarter was a good quarter in terms of return on equity.

The financial performance of our bank also continued its positive course in the third quarter of the year. In this period, we increased our asset size by 23% compared to the end of the year and continued to support our economy and customers in a stable manner. However, thanks to the trust of our customers in our Bank, we were able to increase our deposits by over 38%. By prudently managing our asset quality, we managed to achieve our non-performing loans ratio of 2.1%, below the sector's. As a result of these developments, our return on equity reached 17.6%. In the same period, we continued to closely monitor our capital and liquidity position, taking into account the ongoing macro-economic and risks arising from the Covid-19 pandemic.

In addition to Eurobond, Sukuk and Convertible Bond transactions, we mediated the financing transactions of our corporate customers over USD 5.45 billion in total, with Country Loans and Murabaha loans in the first 9 months of 2021. We continue to contribute to the Turkish economy and banking sector with diversified financing models to be used in planned investments in our country. Within the scope of our sustainability strategy, we are working with all our strength to increase sustainable financing solutions in the Turkish banking sector. In addition to the successful issuances we made in the first half of the year, we took part in the Sustainable Tier 2 Subordinated Sukuk issuance of USD 350 million by Turkey's largest participation bank in September, as a Co-Equity Structuring, Co-ESG Structuring and Co-Sukuk Structuring institution. This transaction is the first Sustainable Tier 2 Subordinated Sukuk Issue in the world and the second ESG Tier 2 transaction by a Turkish issuer.



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Our understanding of providing a superior experience to our customers continues to be at the heart of everything we do. In 2021, we were once again deemed worthy of the best brand award in the non-public banking B segment of the complaintvar.com Customer Experience Index Report. We continue to support customer experience through digital channels, so we increased our digital active customer ratio by 20% in retail banking compared to the previous year and continued to support our goal of providing the best experience to our customers.

Despite the uncertainties in the economy and banking sector due to the Covid-19 outbreak, we believe that we will emerge from this period in a stronger position with the strong leadership of the management team, benefiting from our expertise and cautious risk management strategy. HSBC Bank. Inc. On behalf of the management team, I would like to thank all our colleagues at HSBC Turkey for their valuable contributions. In the upcoming period, we will continue to grow and create sustainable value for all our stakeholders. 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 01.01.2021-30.09.2021**

None.

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