HSBC BANK A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT 31 DECEMBER 2023 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(Convenience translation of publicly announced consolidated financial statements, related disclosures and independent auditor's report at 31 December 2023, See Note I. of Section Three)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH (See Note I of Section Three)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of HSBC Bank A.Ş.

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of HSBC Bank A.Ş. (the "Bank"), and its subsidiaries (collectively referred to as the "Group") which comprise the statement of consolidated balance sheet as at 31 December 2023, consolidated statements of profit and loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended 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 Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

2. Basis for Opinion

Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

Key Audit Matters	***How the key audit matter was addressed in the audit***
Expected credit losses for loans The Group has total expected credit losses for loans amounting to TL 1.702.988 thousand in respect to total loans amounting to TL 47.295.028 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as of 31 December 2023. Explanations and notes related to provision for impairment of loans are presented in Section Three VII-d and VIII, Section Four II, Section Five I-e in the accompanying consolidated financial statements issued as of 31 December 2023. The Parent Bank recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 with number 29750. TFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements are key in development of the financial models built to measure expected credit losses on loans recorded at amortized cost.	Within our audit procedures, we assessed policies and procedures together with the overall governance established by the Group with respect to classification of loans and estimation of impairment in-line with the TFRS 9 framework. We have tested the design and operating effectiveness of controls implemented by the Group in line with its governance, policies and procedures. Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of TFRS 9 and the Group's policies for the significant portfolio of loans. We have tested model calculations through re-performance together with our modelling specialists on a sample basis. We have independently assessed together with our related specialists methodologies used in the models with respect to segmentation, life time expected credit losses, losses given default and use of macroeconomic expectations, life time expected credit losses, losses given default.

Key Audit Matters	*How the key audit matter was addressed in the audit*
Expected credit losses for loans (Continued) The operation of the models requires large data inputs that are generated through more than one system and the accuracy and completeness of the data are key in the determination of expected credit losses on loans. Impairment allowances are calculated on Management's best estimate at the balance sheet date and historical losses incurred. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as developing macro-economic scenarios and their weightings, current conditions, historical loss experiences; the significance of the loan balances; the appropriateness of classification of loans as per their credit risk (staging) in accordance with applicable regulation and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and the level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.	We have carried loan review on a selected sample of loans with the objective to identify whether the classification of loans is performed appropriately in accordance with the applicable regulation, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework. We have reviewed the appropriateness and sufficiency of disclosures made in the financial statements of the Group with respect to loan and related impairment provision.

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.

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

Additional Paragraph for Convenience Translation

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2023. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Group in accordance with IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Zeynep Uras, SMMM
Independent Auditor

Istanbul, 6 March 2024

HSBC CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND AUDIT REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE
CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş. AND ITS FINANCIAL AFFILIATES
AS OF AND FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDIT REPORT

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

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

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

Didem Çerçi	Süleyman Selim Kervancı	Burçin Ozan
Vice President of the Executive Board/ Head of Audit Committee	General Manager	Financial Reporting Assistant General Manager

Robert Adrian Underwood	Yerliozan Kül
Member of Audit Committee	Group Head

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title	: Burak Özlü/Senior Manager
Tel	: (0212) 336 2708
Fax	: (0212) 376 4912

SECTION ONE
General Information About the Parent Bank

SECTION TWO
Consolidated Financial Statements of the Group

SECTION THREE
Explanations on Accounting Policies

SECTION FOUR
Explanations Related to Financial Structure and Risk Management

SECTION FIVE
Explanations and Notes Related to Consolidated Financial Statements

SECTION SIX
Other Explanations

SECTION SEVEN
Explanations on Independent Auditor's Report

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

The establishment of HSBC Bank A.Ş. ("The Bank", "The Parent Bank", "HSBC Bank") to engage in commercial banking activities was authorized by the Council of Ministers decision dated 27 June 1990 and numbered 90/644, and the Articles of Association was published in the Official Gazette dated 18 September 1990 and numbered 2611. The bank is a foreign capital bank registered in accordance with the provisions of the Foreign Capital Encouragement Law No. 6224. On 20 September 2001, a 'Share Sale Agreement' was signed regarding the sale of Demirbank TAŞ., which is part of the Savings Deposit Insurance Fund ("TMSF"), to HSBC Bank Plc, the main shareholder of the Bank. With this agreement, it was envisaged that the necessary transactions would be completed by 31 October 2001, and that all of Demirbank TAŞ.'s shares, as well as some of its assets and liabilities, would be transferred to HSBC Bank Plc. The transfer of the said shares was made on 31 October 2001. On 14 December 2001 Demirbank TAŞ. and the Bank continued its activities by merging under the name of HSBC Bank A.Ş. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 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.

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

As of 31 December 2023, the Parent Bank's nominal capital is TL 652.290 and consists of 65.229.000.000 registered and fully paid shares, each amounting to TL 0,01. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 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 29 June 2017. As of 31 December 2023 there have been no changes regarding the Parent Bank's capital structure and shareholders of the Parent Bank who are in charge of the management or auditing of the Parent Bank directly or indirectly.

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

Title	Name	Responsibility	Education
Chairman of the Board:	Paul Joseph LAWRENCE	Chairman	Undergraduate
Vice President of the Executive Board:	Didem ÇERÇİ	Deputy Chairman	Undergraduate
Board of Directors(**):	Süleyman Selim KERVANCI	Member, CEO	Graduate
	Robert Adrian UNDERWOOD	Member	Undergraduate
	Ayşe Ebru DORMAN	Member	Graduate
	Robert Cyril OATES	Member	Undergraduate G
CEO:	Süleyman Selim KERVANCI	CEO	Graduate
Head of Internal Audit:	Ercan OĞUL	Head of Internal Audit	Graduate
Deputy CEO:	Burçin OZAN	Finance	Undergraduate
Executive Vice Presidents:	Anthony WRIGHT	Credit and Risk	Graduate
	Cem MURATOĞLU (*)	Retail Banking	Graduate
	Burçin OZAN	Finance	Undergraduate
	Funda TEMOÇİN	Human Resources	Undergraduate
	İbrahim Namık AKSEL	Treasury and Capital Markets	Graduate
	Tolga TÜZÜNER	Head of Legal Advisory	Graduate
	Dilek GÜLEÇ SALZBURG	Global Banking	Undergraduate
	Caner IŞLAK	Corporate Banking	Graduate
	Seyyare ÖZBAŞLI TINAZ	Technology and Services	Graduate
Audit Committee(**):	Didem ÇERÇİ	Head of the Audit Committee	Undergraduate
	Robert Adrian UNDERWOOD	Member of the Audit Committee	Graduate

(*) As of 14 July 2023, Ayşe Yenel, who resigned from her position as Deputy General Manager responsible for Retail Banking, has been replaced by Cem Muratoğlu, who was appointed as Deputy General Manager responsible for Retail Banking as of 5 January 2024.

(**) Christopher James Hatton has resigned from his position as a member of the Board of Directors and the Audit Committee as of 6 September 2023.

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

IV. INFORMATION ON THE INDIVIDUAL AND CORPORATE SHAREHOLDERS HAVING CONTROL SHARES OF THE PARENT BANK

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

(*) The amounts are expressed in full TL.

V. INFORMATION ON THE PARENT BANK'S SERVICE TYPES AND FIELDS OF OPERATION

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

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

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

As of 31 December 2023, the Bank has 44 domestic branches (31 December 2022: 70 domestic branches).

As of 31 December 2023, the number of employees of the Bank is 1.578 (31 December 2022: 1.902).

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

The Parent Bank, HSBC Yatırım Menkul Değerler A.Ş., which is fully owned by the Parent Bank and HSBC Portföy Yönetimi A.Ş., a subsidiary of HSBC Yatırım, included in the scope of consolidation.

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

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

VIII. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND 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 the differences between the "Communiqué on the Preparation of Consolidated Financial Statements of Banks" and the consolidation transactions made in accordance with Turkish Accounting Standards, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. is not accounted within the full consolidation method in the consolidated financial statements during the consolidation process in accordance with Turkish Accounting Standards. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was liquidated on 28 March 2022. The subsidiary of the Parent Bank, HSBC Yatırım ve Menkul Değerler A.Ş. is included in the scope of full consolidation with its consolidated financial statements.

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheet

II. Consolidated Statement of Off - Balance Sheet Commitments

III. Consolidated Statement of Profit or Loss

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

V. Consolidated Statement of Changes in Shareholders' Equity

VI. Consolidated Statement of Cash Flows

VII. Statement of Profit Distribution

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

HSBC BANK A.Ş.
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2023 AND 31 DECEMBER 2022 (STATEMENT OF FINANCIAL POSITION)

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

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

I.	CONSOLIDATED BALANCE SHEET	Note (Section Five I)	Audited Current Period (31.12.2023)			Audited Prior Period (31.12.2022)		
	ASSETS		**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**52.688.375**	**35.383.208**	**88.071.583**	**18.009.207**	**28.638.057**	**46.647.264**
1.1	**Cash and Cash Equivalents**		**43.129.594**	**28.992.657**	**72.122.251**	**13.712.598**	**24.269.554**	**37.982.152**
1.1.1	Cash and Balances with Central Bank	(I-a)	9.758.366	13.546.107	23.304.473	1.144.550	11.061.890	12.206.440
1.1.2	Banks	(I-c)	10.831.644	651.227	11.482.871	74.677	120.516	195.193
1.1.3	Money Market Placements		22.543.155	14.801.734	37.344.889	12.502.882	13.087.148	25.590.030
1.1.4	Expected Loss Provision (-)		3.571	6.411	9.982	9.511	-	9.511
1.2	**Financial Assets at Fair Value Through Profit or Loss**	**(I-b)**	**523.514**	**178.043**	**701.557**	**318.004**	**222.320**	**540.324**
1.2.1	Government Debt Securities		517.772	178.043	695.815	312.262	222.320	534.582
1.2.2	Equity Instruments		5.742	-	5.742	5.742	-	5.742
1.2.3	Other Financial Assets		-	-	-	-	-	-
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(I-d)**	**7.973.914**	**-**	**7.973.914**	**3.527.513**	**-**	**3.527.513**
1.3.1	Government Debt Securities		7.973.914	-	7.973.914	3.527.513	-	3.527.513
1.3.2	Equity Instruments		-	-	-	-	-	-
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	**Derivative Financial Assets**	**(1-b)**	**1.061.353**	**6.212.508**	**7.273.861**	**451.092**	**4.146.183**	**4.597.275**
1.4.1	Derivative Financial Assets at Fair Value Through Profit or Loss		1.061.353	6.212.508	7.273.861	451.092	4.146.183	4.597.275
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-	-	-	-
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**22.768.554**	**26.520.977**	**49.289.531**	**18.838.631**	**20.992.014**	**39.830.645**
2.1	**Loans**	**(I-e)**	**19.545.642**	**27.749.386**	**47.295.028**	**18.200.659**	**20.833.824**	**39.034.483**
2.2	**Lease Receivables**	**(I-j)**	**-**	**-**	**-**	**-**	**-**	**-**
2.3	**Factoring Receivables**		**177.571**	**94.824**	**272.395**	**206.342**	**158.190**	**364.532**
2.4	**Other Financial Assets Measured at Amortized Cost**	**(I-f)**	**3.432.430**	**-**	**3.432.430**	**2.431.825**	**-**	**2.431.825**
2.4.1	Government Debt Securities		3.432.430	-	3.432.430	2.431.825	-	2.431.825
2.4.2	Other Financial Assets		-	-	-	-	-	-
2.5	**Expected Credit Losses (-)**		**387.089**	**1.323.233**	**1.710.322**	**2.000.195**	**-**	**2.000.195**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	**(I-p)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1	Held for Sale Purpose		-	-	-	-	-	-
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
4.1	**Investments in Associates (Net)**	**(I-g)**	**-**	**-**	**-**	**-**	**-**	**-**
4.1.1	Accounted Under Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		-	-	-	-	-	-
4.2	**Subsidiaries (Net)**	**(I-h)**	**-**	**-**	**-**	**-**	**-**	**-**
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	**Entities under Common Control (Joint Venture) (Net)**	**(I-i)**	**-**	**-**	**-**	**-**	**-**	**-**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**	**(I-l)**	**413.988**	**-**	**413.988**	**236.710**	**-**	**236.710**
VI.	**INTANGIBLE ASSETS (Net)**	**(I-m)**	**424.681**	**-**	**424.681**	**320.385**	**-**	**320.385**
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		424.681	-	424.681	320.385	-	320.385
VII.	**INVESTMENT PROPERTY (Net)**	**(I-n)**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**340.297**	**-**	**340.297**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSET**	**(I-o)**	**489.382**	**-**	**489.382**	**423.306**	**-**	**423.306**
X.	**OTHER ASSETS**	**(I-r)**	**1.130.982**	**124.110**	**1.255.092**	**518.086**	**237.853**	**755.939**
	TOTAL ASSETS		**78.256.259**	**62.028.295**	**140.284.554**	**38.346.325**	**49.867.924**	**88.214.249**

The explanations and notes on pages 15 to 130 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.
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2023 AND 31 DECEMBER 2022 (STATEMENT OF FINANCIAL POSITION)

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

I.	CONSOLIDATED BALANCE SHEET	Note (Section Five II)	Audited Current Period (31.12.2023)			Audited Prior Period (31.12.2022)		
	LIABILITIES		**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**(II-a)**	**59.332.178**	**49.091.960**	**108.424.138**	**32.481.734**	**38.790.630**	**71.272.364**
II.	**FUNDS BORROWED**	**(II-d)**	-	4.949.714	4.949.714	-	**132.825**	**132.825**
III.	**MONEY MARKET BALANCES**	**(II-c)**	-	-	-	-	-	-
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**(II-e)**	-	-	-	-	-	-
4.1	Bills		-	-	-	-	-	-
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)**	**597.591**	**5.557.962**	**6.155.553**	**394.173**	**3.283.285**	**3.677.458**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		597.591	5.557.962	6.155.553	394.173	3.283.285	3.677.458
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	**FACTORING LIABILITIES**		-	-	-	-	-	-
IX.	**LEASE LIABILITIES**	**(II-g)**	**114.765**	**4.767**	**119.532**	**89.832**	**2.944**	**92.776**
X.	**PROVISIONS**	**(II-i)**	**865.611**	**175.448**	**1.041.059**	**681.303**	**1.523**	**682.826**
10.1	Restructuring Provisions		23.084	-	23.084	-	-	-
10.2	Reverse for Employee Benefits		210.079	-	210.079	274.662	-	274.662
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		632.448	175.448	807.896	406.641	1.523	408.164
XI.	**CURRENT TAX LIABILITY**	**(II-j)**	**329.991**	-	**329.991**	**360.824**	-	**360.824**
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)**	-	**4.337.395**	**4.337.395**	-	**2.636.964**	**2.636.964**
14.1	Loans		-	4.337.395	4.337.395	-	2.636.964	2.636.964
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**	**(II-f)**	**1.202.916**	**1.862.022**	**3.064.938**	**767.228**	**1.022.215**	**1.789.443**
XVI.	**SHAREHOLDERS' EQUITY**	**(II-m)**	**11.862.234**	-	**11.862.234**	**7.568.769**	-	**7.568.769**
16.1	Paid-in capital		652.290	-	652.290	652.290	-	652.290
16.2	Capital Reserves		1.464.825	-	1.464.825	323.573	-	323.573
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		1.464.825	-	1.464.825	323.573	-	323.573
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(184.595)	-	(184.595)	(142.741)	-	(142.741)
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		131.783	-	131.783	100.572	-	100.572
16.5	Profit Reserves		5.493.823	-	5.493.823	3.568.210	-	3.568.210
16.5.1	Legal Reserves		202.671	-	202.671	202.671	-	202.671
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		5.291.152	-	5.291.152	3.365.539	-	3.365.539
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit Or Loss		4.304.108	-	4.304.108	3.066.865	-	3.066.865
16.6.1	Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Year Profit/Loss		4.304.108	-	4.304.108	3.066.865	-	3.066.865
16.7	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**74.305.286**	**65.979.268**	**140.284.554**	**42.343.863**	**45.870.386**	**88.214.249**

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

HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2023 AND 31 DECEMBER 2022

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

II.	OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Audited Current Period (31.12.2023)			Audited Prior Period (31.12.2022)		
			TL	FC	Total	TL	FC	Total
A.	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**79.804.103**	**307.369.438**	**387.173.541**	**51.928.347**	**148.445.383**	**200.373.730**
I.	**GUARANTEES AND COLLATERALS**	**(III-a-2,3)**	**1.878.388**	**23.038.187**	**24.916.575**	**1.626.327**	**12.196.196**	**13.822.523**
1.1	Letters of Guarantee		1.809.888	13.411.465	15.221.353	1.572.827	7.777.638	9.350.465
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		1.809.888	13.411.465	15.221.353	1.572.827	7.777.638	9.350.465
1.2	Bank Acceptances		-	-	-	-	-	-
1.2.1	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		68.500	8.906.899	8.975.399	53.500	3.952.780	4.006.280
1.3.1	Documentary Letters of Credit		68.500	7.807.762	7.876.262	53.500	3.479.149	3.532.649
1.3.2	Other Letters of Credit		-	1.099.137	1.099.137	-	473.631	473.631
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		-	719.823	719.823	-	465.778	465.778
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**(III-a-1)**	**7.435.594**	**34.293.918**	**41.729.512**	**7.452.965**	**4.211.245**	**11.664.210**
2.1	Irrevocable Commitments		7.435.594	34.293.918	41.729.512	7.452.965	4.211.245	11.664.210
2.1.1	Forward Asset Purchase and Sale Commitments		1.380.522	34.291.238	35.671.760	2.700.790	4.209.549	6.910.339
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		32.194	-	32.194	104.803	-	104.803
2.1.5	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Payment Commitment for Checks		14.419	-	14.419	11.692	-	11.692
2.1.8	Tax and Fund Liabilities from Export Commitments		-	-	-	2.286	-	2.286
2.1.9	Commitments for Credit Card Expenditure Limits		5.396.993	-	5.396.993	4.091.710	-	4.091.710
2.1.10	Commitments for Promotions Related with Credit Cards and Banking Activities		43.996	-	43.996	29.273	-	29.273
2.1.11	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		567.470	2.680	570.150	512.411	1.696	514.107
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(III-b)**	**70.490.121**	**250.037.333**	**320.527.454**	**42.849.055**	**132.037.942**	**174.886.997**
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		70.490.121	250.037.333	320.527.454	42.849.055	132.037.942	174.886.997
3.2.1	Forward Foreign Currency Buy/Sell Transactions		16.759.002	51.897.377	68.656.379	12.157.959	30.803.771	42.961.730
3.2.1.1	Forward Foreign Currency Transactions-Buy		11.312.430	23.728.297	35.040.727	9.467.743	12.491.308	21.959.051
3.2.1.2	Forward Foreign Currency Transactions-Sell		5.446.572	28.169.080	33.615.652	2.690.216	18.312.463	21.002.679
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		46.113.261	170.049.071	216.162.332	25.818.888	82.090.808	107.909.696
3.2.2.1	Foreign Currency Swap-Buy		907.661	75.991.781	76.899.442	4.919.667	30.163.555	35.083.222
3.2.2.2	Foreign Currency Swap-Sell		16.401.528	66.300.908	82.702.436	8.431.123	30.783.793	39.214.916
3.2.2.3	Interest Rate Swap-Buy		14.402.036	13.878.191	28.280.227	6.234.049	10.571.730	16.805.779
3.2.2.4	Interest Rate Swap-Sell		14.402.036	13.878.191	28.280.227	6.234.049	10.571.730	16.805.779
3.2.3	Foreign Currency, Interest Rate, and Securities Options		7.617.858	22.344.724	29.962.582	4.872.208	13.843.376	18.715.584
3.2.3.1	Foreign Currency Options-Buy		3.808.929	11.172.362	14.981.291	2.436.104	6.921.688	9.357.792
3.2.3.2	Foreign Currency Options-Sell		3.808.929	11.172.362	14.981.291	2.436.104	6.921.688	9.357.792
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	5.746.161	5.746.161	-	5.299.987	5.299.987
B.	**CUSTODY AND PLEDGES SECURITIES (IV+V+VI)**		**1.018.814.798**	**180.043.395**	**1.198.858.193**	**975.853.363**	**116.831.184**	**1.092.684.547**
IV.	**ITEMS HELD IN CUSTODY**		**947.391.162**	**81.868.379**	**1.029.259.541**	**905.247.362**	**52.627.560**	**957.874.922**
4.1	Customers' Securities Held		64.853.706	23.204.130	88.057.836	54.056.682	11.725.300	65.781.982
4.2	Investment Securities Held in Custody		881.953.177	16.198.880	898.152.057	850.721.324	13.848.360	864.569.684
4.3	Checks Received for Collection		184.988	72.589	257.577	118.460	59.139	177.599
4.4	Commercial Notes Received for Collection		194.521	164.539	359.060	153.981	75.842	229.823
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		204.770	42.228.241	42.433.011	196.915	26.918.919	27.115.834
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**67.889.411**	**40.975.434**	**108.864.845**	**66.808.540**	**24.817.874**	**91.626.414**
5.1	Marketable Securities		282.388	4.750.018	5.032.406	344.183	3.169.010	3.513.193
5.2	Guarantee Notes		228.780	1.478.000	1.706.780	99.505	935.700	1.035.205
5.3	Commodity		399.283	3.901.165	4.300.448	473.082	151.585	624.667
5.4	Warranty		-	-	-	-	-	-
5.5	Real Estate		4.240.474	24.759.073	28.999.547	4.103.770	15.687.726	19.791.496
5.6	Other Pledged Items		62.738.486	6.087.178	68.825.664	61.788.000	4.873.853	66.661.853
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED BILL OF EXCHANGE AND COLLATERALS**		**3.534.225**	**57.199.582**	**60.733.807**	**3.797.461**	**39.385.750**	**43.183.211**
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		**1.098.618.901**	**487.412.833**	**1.586.031.734**	**1.027.781.710**	**265.276.567**	**1.293.058.277**

The explanations and notes on pages 15 to 130 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.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIODS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III.	CONSOLIDATED STATEMENT OF PROFIT OR LOSS		Audited	
	INCOME AND EXPENSE ITEMS	Note (Section Five IV))	Current Period (01.01.2023 – 31.12.2023)	Prior Period (01.01.2022 – 31.12.2022)
I.	**INTEREST INCOME**	**(IV-a)**	**16.945.268**	**6.947.798**
1.1	Interest Income on Loans	(IV-a-1)	7.754.446	5.029.051
1.2	Interest Received from Reserve Requirements		16.325	25.335
1.3	Interest Received from Banks	(IV-a-2)	3.334.272	294.011
1.4	Interest Received from Money Market Transactions		3.928.749	704.545
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	1.802.047	863.433
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		119.180	86.460
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		1.272.002	675.055
1.5.3	Financial Assets at Measured at Amortized Cost		410.865	101.918
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		109.429	31.423
II.	**INTEREST EXPENSE (-)**	**(IV-b)**	**14.438.801**	**3.565.469**
2.1	Interest Expense on Deposits	(IV-b-4)	13.724.191	3.194.274
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	626.949	175.574
2.3	Interest Expense on Money Market Transactions		3.188	88.358
2.4	Interest on Securities Issued	(IV-b-3)	-	73.826
2.5	Interest Expense on Lease		26.939	18.197
2.6	Other Interest Expenses		57.534	15.240
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**2.506.467**	**3.382.329**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**1.311.029**	**767.215**
4.1	Fees and Commissions Received		1.790.919	1.053.598
4.1.1	Non-Cash Loans		569.093	303.188
4.1.2	Other	(IV-m)	1.221.826	750.410
4.2	Fees and Commissions Paid (-)		479.890	286.383
4.2.1	Non-Cash Loans		1.220	796
4.2.2	Other		478.670	285.587
V	**DIVIDEND INCOME**	**(IV-c)**	**371**	**4.459**
VI.	**TRADING GAIN/(LOSS) (Net)**	**(IV-d)**	**5.722.553**	**2.526.689**
6.1	Trading Gains/(Losses) on Securities		136.933	267.009
6.2	Derivative Financial Transactions Gains/(Losses)		2.612.148	1.317.232
6.3	Foreign Exchange Gains/(Losses)		2.973.472	942.448
VII.	**OTHER OPERATING INCOME**	**(IV-e)**	**892.165**	**220.227**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**10.432.585**	**6.900.919**
IX.	**PROVISION FOR LOAN LOSSES (-)**	**(IV-f)**	**603.323**	**393.440**
X.	**OTHER PROVISION EXPENSES (-)**		**81.349**	**98.674**
XI.	**PERSONNEL EXPENSES (-)**		**2.473.556**	**1.197.695**
XII.	**OTHER OPERATING EXPENSES (-)**	**(IV-g)**	**1.906.012**	**1.228.828**
XIII.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)**		**5.368.345**	**3.982.282**
XIV.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		**-**	**-**
XV.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**-**	**-**
XVI.	**INCOME/ (LOSS) ON NET MONETARY POSITION**		**-**	**-**
XVII.	**INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)**		**5.368.345**	**3.982.282**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**(IV-i)**	**(1.064.237)**	**(915.417)**
18.1	Current Tax Provision		(1.105.646)	(628.960)
18.2	Deferred Tax Income Effect (+)		-	(286.457)
18.3	Deferred Tax Expense Effect (-)		41.409	-
XIX.	**NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)**	**(IV-j)**	**4.304.108**	**3.066.865**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
20.1	Income from Non-Current Assets Held for Resale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
20.3	Other Income From Discontinued Operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
21.1	Expenses for Non-Current Assets Held for Resale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
21.3	Other Expenses From Discontinued Operations		-	-
XXII.	**PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)**		-	-
XXIII.	**PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)**		-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Income Effect (+)		-	-
23.3	Deferred Tax Expense Effect (-)		-	-
XXIV.	**NET PROFIT/LOSSES (XIX+XXIV)**	**(IV-k)**	**4.304.108**	**3.066.865**
XXV.	Earnings/Loss per Share		0,065984	0,047017

HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited Current Period (31.12.2023)	Audited Prior Period (31.12.2022)
I.	**INCOME/LOSS FOR THE PERIOD**	**4.304.108**	**3.066.865**
II.	**OTHER COMPREHENSIVE INCOME**	**(10.643)**	**82.450**
2.1	**Not Reclassified Through Profit or Loss**	**(41.854)**	**(128.830)**
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	(72.907)	(172.907)
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	31.053	44.077
2.2	**Reclassified Through Profit or Loss**	**31.211**	**211.280**
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	54.146	272.228
2.2.3	Cash Flow Hedge Income/Loss	-	-
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	(22.935)	(60.948)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**4.293.465**	**3.149.315**

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
Audited Prior Period 31 December 2022	**Note Section Five (V)**	**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 Interest**	**Total Equity**
I. Balances at the Beginning of the Period – 31 December 2021		**652.290**	**-**	**-**	**310.888**	**-**	**(13.911)**	**-**	**-**	**(110.708)**	**-**	**2.630.000**	**-**	**950.895**	**4.419.454**	**-**	**4.419.454**
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		**652.290**	**-**	**-**	**310.888**	**-**	**(13.911)**	**-**	**-**	**(110.708)**	**-**	**2.630.000**	**-**	**950.895**	**4.419.454**	**-**	**4.419.454**
IV. Total Comprehensive Income	**(V-a)**	**-**	**-**	**-**	**-**	**-**	**(128.830)**	**-**	**-**	**211.280**	**-**	**-**	**-**	**3.066.865**	**3.149.315**	**-**	**3.149.315**
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	**12.685**	-	-	-	-	-	-	**(12.685)**	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	**950.895**	-	**(950.895)**	-	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	950.895	-	(950.895)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
Period End Balance (III+IV+…...+X+XI)		**652.290**	**-**	**-**	**323.573**	**-**	**(142.741)**	**-**	**-**	**100.572**	**-**	**3.568.210**	**-**	**3.066.865**	**7.568.769**	**-**	**7.568.769**

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

HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2023
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							
Audited Current Period 31 December 2023	**Note Section Five (V)**	**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 Interest**	**Total Equity**
I. Balances at the Beginning of the Period – 31 December 2022		**652.290**	**-**	**-**	**323.573**	**-**	**(142.741)**	**-**	**-**	**100.572**	**-**	**3.568.210**	**-**	**3.066.865**	**7.568.769**	**-**	**7.568.769**
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		**652.290**	**-**	**-**	**323.573**	**-**	**(142.741)**	**-**	**-**	**100.572**	**-**	**3.568.210**	**-**	**3.066.865**	**7.568.769**	**-**	**7.568.769**
IV. Total Comprehensive Income	**(V-a)**	**-**	**-**	**-**	**-**	**-**	**(41.854)**	**-**	**-**	**31.211**	**-**	**-**	**-**	**4.304.108**	**4.293.465**	**-**	**4.293.465**
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	**1.141.252**	-	-	-	-	-	-	**(1.141.252)**	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	**3.066.865**	-	**(3.066.865)**	-	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3.066.865	-	(3.066.865)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+…...+X+XI)		**652.290**	**-**	**-**	**1.464.825**	**-**	**(184.595)**	**-**	**-**	**131.783**	**-**	**5.493.823**	**-**	**4.304.108**	**11.862.234**	**-**	**11.862.234**

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 ıncome,
6. Other (cash flow hedge gains/losses, other comprehensive ıncome of associates and joint ventures accounted with equity method that will be reclassified at profit or loss and other accumulated amounts of other comprehensive ıncome ıtems that will be reclassified at profit or loss).

HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Note (Section Five VI)	Audited Current Period (31.12.2023)	Audited Prior Period (31.12.2022)
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**	**(VI-a)**	**4.709.156**	**2.076.802**
1.1.1	Interest Received	(VI-a)	15.731.411	5.907.435
1.1.2	Interest Paid	(VI-a)	(12.007.411)	(3.246.000)
1.1.3	Dividend Received		371	4.459
1.1.4	Fees and Commissions Received		1.763.392	1.004.998
1.1.5	Other Income		222.963	207.669
1.1.6	Collections From Previously Written-Off Loans and Other Receivables		42.590	109.040
1.1.7	Cash Payments to Personnel and Service Suppliers	(VI-a)	(2.283.171)	(1.060.369)
1.1.8	Taxes Paid		(1.708.213)	(338.475)
1.1.9	Other		2.947.224	(511.955)
1.2	**Changes in Operating Assets and Liabilities Subject to Banking Operations**		**24.339.719**	**(209.504)**
1.2.1	Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(158.593)	(311.897)
1.2.2	Net (Increase)/Decrease in Due From Banks		(3.913.447)	(537.827)
1.2.3	Net (Increase)/Decrease in Loans		(7.593.531)	(8.863.022)
1.2.4	Net (Increase)/Decrease in Other Assets		(485.300)	(203.060)
1.2.5	Net Increase/(Decrease) in Bank Deposits		371.619	777.316
1.2.6	Net Increase/(Decrease) in Other Deposits		35.209.771	12.094.438
1.2.7	Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8	Net Increase (Decrease) in Funds Borrowed		(82.916)	(814.296)
1.2.9	Net Increase/(Decrease) in Matured Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		992.116	(2.351.156)
I.	**Net Cash Provided From Banking Operations**		**29.048.875**	**1.867.298**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided From Investing Activities**		**(5.322.751)**	**(2.130.733)**
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		(223.855)	(87.407)
2.4	Cash Obtained from the Sale of Tangible and Intangible Asset		4.873	3.364
2.5	Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(4.858.357)	(1.774.349)
2.6	Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		1.039.629	2.300.727
2.7	Cash Paid for Purchase of Financial Assets at Amortized Cost		(1.014.268)	(2.385.221)
2.8	Cash Obtained From Sale of Financial Assets at Amortized Cost		-	-
2.9	Other		(270.773)	(187.847)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided From Financing Activities**		**6.457.856**	**(598.292)**
3.1	Cash Obtained From Funds Borrowed and Securities Issued		6.518.250	992.570
3.2	Cash Outflow From Funds Borrowed and Securities Issued		-	(1.543.410)
3.3	Equity Instruments Issued		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Lease Liabilities		(60.394)	(47.452)
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**	**(VI-a)**	**40.724**	**8.699**
V.	**Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)**		**30.224.704**	**(853.028)**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**(VI-d)**	**29.071.145**	**29.924.173**
VII.	**Cash and Cash Equivalents at End of the Period**	**(VI-d)**	**59.295.849**	**29.071.145**

HSBC BANK A.Ş.
STATEMENT OF PROFIT DISTRIBUTION OF THE PARENT BANK
FOR THE PERIODS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

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

VII. STATEMENT OF PROFIT DISTRIBUTION	**Audited Current Period (31.12.2023) (*)**	**Audited Prior Period (31.12.2022) (*)**
I. DISTRIBUTION OF INCOME		
1.1 Income for the Year	5.107.782	3.901.719
1.2 Taxes and Duties Payable (-)	980.942	886.641
1.2.1 Corporate Tax (Income Tax)	1.018.094	597.955
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues	(37.152)	288.686
A. NET INCOME FOR THE YEAR (1.1-1.2)	**4.126.840**	**3.015.078**
1.3 Prior Year Losses (-)	-	-
1.4 First Legal Reserve (-)	-	-
1.5 Other Statutory Reserves (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-1.3-1.4-1.5)]	**4.126.840**	**3.015.078**
1.6 First Dividend to Shareholders (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 Dividends to Personnel (-)	-	-
1.8 Dividends to Board of Directors (-)	-	-
1.9 Second Dividend to Shareholders (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	-
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves	-	1.873.826
1.13 Other Reserves	-	-
1.14 Special Funds	-	1.141.252
II. DISTRIBUTION OF RESERVES	-	-
2.1 Appropriated Reserves	-	-
2.2 Second Legal Reserves (-)	-	-
2.3 Dividends to Shareholders (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 Dividends to Personnel (-)	-	-
2.5 Dividends to Board of Directors (-)	-	-
III. EARNINGS PER SHARE (**)		
3.1 To Owners of Ordinary Shares	0,063267	0,046223
3.2 To Owners of Ordinary Shares (%)	-	-
3.3 To Owners of Privileged Shares	-	-
3.4 To Owners of Privileged Shares (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 To Owners of Ordinary Shares	-	-
4.2 To Owners of Ordinary Shares (%)	-	-
4.3 To Owners of Privileged Shares	-	-
4.4 To Owners of Privileged Shares (%)	-	-

(*) As of reporting date, yearly ordinary meeting of the General Assembly has not been held yet to decide on the profit distribution for the year 2023.
(**) 1.000 nominal is expressed in full TL.

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 1 November 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 ("TAS") 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 28 June 2012, and amendments to this Communiqué dated 1 February 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 31 December 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 Parent 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:

The accounting policies followed and the valuation principles used in the preparation of the financial statements have been determined and applied in accordance with the principles within the scope of the "BRSA Accounting and Financial Reporting Legislation" and are consistent with the accounting policies applied in the annual financial statements prepared for the period ending on 31 December 2022.

Accounting policies for the current period and valuation principles used are explained in Notes II to XXXI.

The Parent Bank made certain estimations in the calculation of expected credit losses in the consolidated financial statements prepared as of 31 December 2023 and disclosed them in footnote VIII, "Explanations on Expected Loss Provisions". The Parent Bank reviews its assumptions quarterly and makes updates if deemed necessary.

I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

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 TAS/TFRS effective for annual periods beginning on or after 1 January 2022 have no material effect on the financial statements, financial performance and on the Group's accounting policies. New and revised TAS 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 Benchmark Interest Rates Reform, in 2021, alternative interest rates to be accepted have started to be used instead of the current benchmark interest rates, especially LIBOR. In the financial statements of the Group, there are liabilities such as borrowings and derivative transactions and off-balance sheet instruments, in addition to variable interest assets such as securities and loans indexed to benchmark interest rates. As of 31 December 2023, the changes brought by the reform did not have a significant impact on the Group's financial statements.

The Public Oversight, Accounting and Auditing Standards Authority ("POA"), through its announcement dated 23 November 2023, has stated that the financial statements of entities applying Turkish Financial Reporting Standards for annual reporting periods ending on or after 31 December 2023 should be prepared in accordance with the Financial Reporting Standard for High Inflation Economies ("TAS 29"), however, institutions or organizations authorized to regulate and supervise in their respective fields may determine different transition dates for the application of TAS 29 provisions. In response to this announcement by POA, the Banking Regulation and Supervision Agency ("BRSA") has decided, through its decision numbered 10744 dated 12 December 2023, that the financial statements as of 31 December 2023 of banks, financial leasing, factoring, financing, savings finance, and asset management companies should not be subjected to inflation adjustments required under TAS 29. In accordance with the decision numbered 10825 dated 11 January 2024 of BRSA; banks, financial leasing, factoring, financing, savings finance, and asset management companies are required to transition to inflation accounting practices as of 1 January 2025. Accordingly, the Bank did not apply the inflation accounting required under TAS 29 in its financial statements for the year ended 31 December 2023.

Explanation for convenience translation into English:

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 31 December 2023. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Bank in accordance with IFRS.

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

The Parent Bank's main resources are customer deposits and foreign loans. The Parent Bank creates its liquidity structure that will ensure the fulfillment of its due liabilities by diversifying its funding sources and by keeping sufficient cash and assets that can be converted into cash.

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

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

Various stress scenarios, liquidity, gap and volatility analyzes are performed regarding the monitoring and management of market risk as well as control. By means of these analyzes, it is aimed to be ready for possible risks and to take quick decisions regarding the targeted profitability.

Analyses that are conducted related to determined risks are being tracked by 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. The balances of other foreign currency active and liability accounts, excluding non-performing loans in foreign currency and non-monetary items accounted for on the basis of acquisition cost, are translated into TL at the Group's exchange rate and the resulting exchange differences are reflected in the income statement as foreign exchange profit or loss.

III. EXPLANATIONS ON CONSOLIDATED INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Group has no investments in associates as of 31 December 2023. The accompanying consolidated financial statements are prepared in accordance with TFRS 10 "Consolidated Financial Statements" and "Communiqué on Preparation of Consolidated Financial Statements of Banks" published by BRSA on the Official Gazette numbered 26340 and dated 8 November 2006. Non-financial subsidiary of the Parent Bank, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş was liquidated on 28 March 2022.

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

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

(*) HSBC Yatırım Menkul Değerler A.Ş. ("HSBC Yatırım") and HSBC Portföy Yönetimi A.Ş. ("HSBC Portföy"), a subsidiary of HSBC Yatırım, is included in the scope of consolidation.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES (Continued)

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. Income provided through contracts or through services related to transactions such as the purchase or sale of assets for a third party corporate or individual person is recorded as income on the date it is earned.

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

Classification and measurement of financial instruments

According to the TFRS 9 standard, the classification and measurement of financial assets is determined according to the business model in which the financial asset is managed and whether it depends on the contractual cash flows that include only the principal and interest payments on the principal balance.

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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

Within the scope of this evaluation; “Principal” is defined as the fair value of the financial asset at initial recognition. “Interest”, for the time value of money, considers the credit risk and other underlying credit risks associated with the principal amount over a period of time, and the costs for the profit margin (for example, liquidity risk and administrative costs).

In the evaluation of the contractual cash flows, which include only the principal and interest payments, the Parent Bank considers the contractual terms of the financial asset. This assessment includes assessing whether the financial asset contains a contractual clause that could change the timing or amount of contractual cash flows. While making the assessment, the Parent Bank considers the followings:

- Events that could change the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Features to consider when measuring the time value of money

a) Financial Assets at Fair Value Through Profit or Loss:

Financial assets at fair value through profit or loss, financial assets managed with a business model other than a business model aimed at holding contractual cash flows to collect and selling contractual cash flows, and contractual terms related to financial assets, does not result in cash flows that only include principal and interest payments on the principal balance on specified dates; are financial assets that are acquired to profit from fluctuations in prices and similar factors in the short-term in the market, or that are part of a portfolio to make a profit in the short-term, regardless of the reason for their acquisition. Financial assets at fair value through profit or loss are recorded with their fair values and are then valued at their fair values. Gains and losses resulting from the valuation are included in the profit/loss accounts. In line with the Uniform Chart of Accounts (UCA) explanations, the positive difference between the acquisition cost and the discounted value of the financial asset is in “Interest Income”, if the fair value of the asset is above the discounted value, the positive difference is in the “Capital Market Transactions Profits” account. if the fair value is below the discounted value, the negative difference between the discounted value and the fair value is recorded in the “Capital Market Transactions Losses” account. In case the financial asset is disposed of before maturity, the resulting gains or losses are accounted for on the same basis.

Equity securities, which are classified as financial assets at fair value through profit or loss, are accounted with their fair values if they are traded in organized markets and/or their fair value can be determined reliably. If it is not traded in an organized market and its fair value cannot be determined reliably, it is reflected to the financial statements at cost after deducting the provision for impairment.

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b) Financial Assets at Fair Value Through Other Comprehensive Income:

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

"Unrealized profits and losses" means the difference between amortized costs and fair value arising from changes in fair value of assets whose fair value difference is reflected in other comprehensive income. The collection of the value corresponding to the relevant financial asset is not reflected in the income statement for the period until either the asset is sold, disposed of or deteriorated, and is followed in the "Other comprehensive income or expense to be reclassified to profit or loss" account in shareholders' equity. When these financial assets are collected or disposed of, the accumulated fair value differences recognized in equity are reflected in the income statement. Interest and dividends of these financial assets are recorded in the relevant interest income and dividend income account.

At initial recognition, an entity may irrevocably choose to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income. If this preference is made, dividends from the investment in question are recognized as profit or loss.

In addition, the Parent Bank's securities portfolio includes consumer price indexed government bonds classified as financial assets at fair value through other comprehensive income. These securities are valued and accounted for using the effective interest method, based on real coupon rates, the reference inflation index at the date of issue, and the current index. As stated in the CPI-Indexed Bonds Investor's Guide of the Undersecretariat of Treasury, the reference indices used in calculating the actual coupon payment amounts of these securities are based on the CPI of two months ago.

c) Financial Assets Measured in Amortized Cost:

The financial asset is measured at amortized cost if the financial asset is held under a business model that aims to collect contractual cash flows and the contractual terms of the financial asset result in cash flows that, at specified dates, only include payments of principal and interest on the principal balance. These assets are accounted for at their acquisition cost, which also includes transaction costs, when they are first recorded. After being recorded, it is valued at "Discounted Value" using the effective interest rate method.

d) Loans:

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Loans are initially recorded by adding the transaction costs to the acquisition cost that reflects their fair value, and after they are recorded, they are measured with their amortized values using the "Effective Interest Rate (internal rate of return) Method".

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

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES

The Group allocates an expected loss provision for its financial assets measured at amortized cost and at fair value through other comprehensive income.

Pursuant to the "Regulation on the Procedures and Principles Regarding Classification of Loans and Provisions for These" published in the Official Gazette dated 22 June 2016 and numbered 29750 and entered into force as of 1 January, 2018, the Parent Bank allocates provisions for impairment in accordance with the provisions of TFRS 9 as of 1 January 2019. In this framework, as of 31 December 2018, the loan provisions calculated within the framework of the relevant legislation of the BRSA have been changed in accordance with TFRS 9 by applying the expected credit loss model. The expected credit losses estimate is unbiased, probability-weighted, and includes supportable information about estimates of past events, current conditions, and future economic conditions.

At each reporting date, it is assessed whether there has been a significant increase in the credit risk of a financial instrument subject to impairment since its initial recognition, and financial assets are divided into the following three categories, depending on the increase in credit risks observed from the time they are first recognized:

Stage 1:
These are financial assets that do not have a significant increase in credit risk at the time they are first recognized in the financial statements or afterwards. The 12-month expected credit loss results from a possible default on a financial instrument within 12 months after the reporting period and is calculated as a portion of the lifetime expected credit loss. The 12-month expected credit loss is calculated based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month probabilities of default (PD) are applied to an estimated default amount and multiplied by the loss given default (LGD), discounted to the reporting date with the loan's original effective interest rate. For these assets, the credit risk impairment provision is recognized at the amount of 12-month expected credit losses.

Stage 2:
In the event that there is a significant increase in the credit risk after the first recognition in the financial statements and this increase exceeds the determined threshold values, there is a 30-day delay in loan repayments and/or it is placed on the close monitoring lists, the related financial asset is classified in Stage 2. Similar to those described above, including the use of multiple scenarios, but the probability of default (PD) and loss given default (LGD) rates are estimated over the life of the financial asset. Impairment provision for credit risk is recognized as lifetime expected credit losses.

Stage 3:
For financial assets with objective evidence of impairment, lifetime expected credit losses are estimated on an individual basis using the discounted cash flow method.

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 macroeconomic cyclical changes.

With the transition to TFRS 9, while the expected credit loss is estimated, three different macroeconomic scenarios (baseline scenario, pessimistic scenario, optimistic scenario) are evaluated. Due to the COVID-19 epidemic, an additional alternative pessimistic 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. As of the first quarter of 2022, global stagnation expectations arising from the possible effects of the Russia-Ukraine tension have begun to be reflected in the pessimistic scenario and four different macroeconomic scenarios (base scenario, pessimistic scenario, alternative pessimistic scenario, optimistic scenario) including the global recession started to be used in the calculation of expected loan loss provisions.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

In calculating the expected credit loss provision, the potential difficulties that the earthquake disaster on 6 February 2023, could create in customers' cash flows and payments have been taken into account and reflected in the financial statements. Especially considering that the debt deferral support provided to retail customers generally ended in October-November 2023, expected credit losses are calculated based on the current risk situations of customers after the earthquake, excluding those with ongoing debt deferrals.

Products within retail loans are grouped into large and small portfolios, considering portfolio sizes, risk levels, and strategic business plans. In calculating expected credit loss provisions, TFRS9 models developed from historical data sets are used for large portfolios (Credit Card, General Purpose Loans, Overdraft), while a fixed macroeconomic expectation rate determined judgmentally is used for small portfolios (Mortgage Loans, Vehicle Loans, Cash Collateralized General Purpose Loans, Check Collaterals).

In case an area for improvement is identified in the performance of the models used in the calculations, necessary corrective actions are taken, and the calculated impact is reflected in the financial statements. Discrepancies were observed between the forecasted and actual PD values of the Credit Card TFRS9 model in the review conducted in December 2023, and the effect of the relevant discrepancy on the expected credit losses was calculated and reflected in the financial statements of the respective month. At the same time, the related discrepancy amounts, which do not have a significant impact on the financial statements, are reflected in the financial statements until the completion of the new model development and its implementation in 2024.

In addition, all commercial and corporate loans that are classified as non-performing loans and restructured in the expected credit loss calculation in accordance with TFRS 9 are subject to individual evaluation according to the discounted cash flow method (DCFM) in accordance with internal policies. This method is basically done by discounting the expected cash flows from the financial instrument to their present value with the effective interest rate. The expected credit loss calculation for financial instruments is evaluated based on the judgment and knowledge of the specialist business unit at the date of evaluation, taking into account the realization of the credit loss, which is objective and probability weighted in nature. Estimated credit loss is calculated by weighting the evaluations made for different scenarios according to their realization probabilities.

Probability of Default (PD)

The probability of default refers to the probability that the loan will default in a given time period. Two different probability of default values are used when calculating expected credit losses in accordance with TFRS 9:

- 12-month probability of default: an estimate of the probability of default within 12 months from the reporting date.
- Lifetime probability of default: an estimate of the probability of default over the expected life of the financial instrument.

The 12-month and lifetime probability of default consists of a cumulative probability of default estimation series. These estimates are based on the macro-TO model used to measure the risk of default, which is a function of macro-economic factors. This model is sensitive to current and future macro-economic conditions and is estimated over 12 months or lifetime timeframes. The Life Cycle (TTC) PD value is calculated with customer rating grades, and the Point in Time (PiT) PD value is reached with the macroeconomic models designed by the Parent Bank.

Internal rating models are used for the Commercial and Corporate portfolio. In the internal rating models used, the financial and non-financial information of the customer are being used and this information is evaluated together to reach the internal rating score. In the retail portfolio, on the other hand, a segment-based structure was designed to distribute customers among predetermined segments. Segments are shaped by product-specific variables on a product basis (limit usage rate, past and related month delay, remaining maturity, etc.). The probability of default calculation is performed by taking into account historical data, current conditions and forward-looking macroeconomic expectations.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Loss Given Default (LGD)

It refers to the economic loss resulting from the loan in case of default by the borrower. It is expressed as a ratio. Loss given default for retail loans is calculated over the expected collections from collateral and other loan cash flows, taking into account the time value of money. While calculating the time value of money, the weighted average interest rate of the performing loan portfolio at the relevant period is taken into account as the effective interest rate. For Corporate and Commercial loans, a simplified approach, known as the LGD model, has been implemented with the transition to TFRS 9, incorporating macroeconomic expectation input and credit maturities. Subsequently, a LGD model specific to the country, incorporating country-specific economic expectations and historical loss data, was developed and, following independent validation, was implemented as of July 2023.

Exposure at Default (EAD)

Cash loans represent the balance that has been disbursed as of the report date. Non-cash loans and commitments are the values calculated by applying the loan conversion rate determined in the legislation. The exposure at default is calculated over cash loans and non-cash loans taken into account at the loan conversion ratio, and represents the economic receivable amount at the reporting date. The expected exposure at default, for corporate and commercial loans, is based on the prudent assumption that it will remain constant over the life of the financial instrument. 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 expected loss calculation are as follows for the corporate/commercial and retail portfolio:

Corporate/commercial portfolio:

- Annual percentage change in Gross Domestic Product (GDP)
- Annual change in export amount
- Housing price index
- Short term external debt

Retail portfolio:
- Annual percentage change in Gross Domestic Product (GDP)
- Unemployment rate

Additionally, the macroeconomic variable that is used in the Loss Given Default model in Corporate/Commercial portfolio is a transformation of Gross National Product.

As of 31 December 2023, the Parent Bank calculates the expected credit loss by taking into account the statistical models designed to comply with the relevant legislation and accounting standards and the methods used for prudence, as well as the macroeconomic forecasts for the future. In addition, changes affecting macroeconomic factors reflected the data obtained with the maximum effort principle to the estimates and judgments used in the calculation of expected credit losses, with the best estimation method. Within the light of these data, the Parent Bank has developed an alternative pessimistic scenario in addition to the base, optimistic and pessimistic macro-economic expectations used in the calculation of expected credit loss and revised the scenario weights in this context. Calculations made by taking into account the PD and LGD parameters, which vary according to these scenarios and their weights, are reflected in the financial statements as of 31 December 2023. The PD values used in Corporate/Commercial Portfolio, basically reflect the annual rate of change in house prices, the change in short-term foreign debt in USD and the annual change in gross national product. At the presence of unexpected events that are not considered by the models due to its nature, the Parent Bank continues to allocate provisions in addition to those established for the corporate/commercial portfolio by adding management overlays in both increasing and decreasing directions.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

This approach, implemented since the third quarter of 2020, continued in the first half of 2023; however, in the second half of 2023, management overlays were removed considering macroeconomic improvements. The status of the existing portfolio, macroeconomic developments, and future expectations will be reviewed at regular intervals in the upcoming reporting periods.

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 quantitative and qualitative assessments in determining the financial assets to be classified as Stage 2.

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 where any of the following conditions are satisfied as a result of a qualitative assessment.

- Receivables overdue more than 30 days as of the reporting date
- Receivables classified as watch-list
- Receivables evaluated within the scope of restructuring

It is also considered that there is a default on the relevant debt under the following two conditions:

- Overdue for more than 90 days. The definition of default in practice is based on the criterion that the debt is overdue for more than 90 days.

- Convinced that the debt will not be paid. If the borrower is deemed to be unable to perform its obligations on the loan, the borrower should be considered in default, regardless of whether there is a delayed debt balance or the number of days of default.

After the earthquake on 6 February 2023, in accordance with the local regulations and the recommendations of the Banks Association, the debts of customers residing or working in the provinces affected by the earthquake and declared as disaster areas were postponed collectively for up to 6 months. The offsets applied according to the degree of impact of the provinces from the earthquake were made on the basis of two different periods, 3 months or 6 months. Moreover; Customers who stated that they were indirectly affected by the earthquake despite not residing / working in the earthquake zone and whose demands were found suitable as a result of the necessary evaluations can benefit from the debt rollover application. The increase in the credit risk has been evaluated by taking into account the information such as the degree of impact of the earthquake in the province where the customers reside/work, the customer's current delay at the time of debt rollover and past payment performance, and accordingly, additional provisions have been set aside for the debts that are expected to increase in the expected credit loss risk. As the postponement periods are completed, it has been decided to end the additional provision process and to continue with the normal provision process according to the current delay situation of the customer.

IX. DERECOGNITION OF FINANCIAL INSTRUMENTS

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

In accordance with TFRS 9, restructuring or changing the contractual cash flows of a financial instrument may result in derecognition of the existing financial asset. When a change in a financial asset results in derecognition of the existing financial asset and subsequent recognition of the modified financial asset, the modified financial asset is considered a "new" financial asset for the purposes of TFRS 9. When evaluating the new contractual terms characteristics of the financial asset, the contractual cash flows including the currency change, conversion to share, counterparty change and only the principal and interest payments on the principal balance are evaluated. If the contractual cash flows of a financial asset have been changed or otherwise restructured and such modification or restructuring does not result in derecognition of the financial asset, the gross book value of the financial asset is recalculated and the restructuring gain or loss is recognized in profit or loss. In cases where all the risks and gains of ownership of the asset are not transferred to another party and control of the asset is retained, the remaining interest in the asset and the liabilities arising from and due to this asset continue to be recognized. If all the risks and gains of ownership of a transferred asset are retained, the transferred asset continues to be recognized and a financial liability is recognized in exchange for the consideration received.

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

IX. DERECOGNITION OF FINANCIAL INSTRUMENTS (Continued)

e) Restructuring and refinancing 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 Stage 1 or Stage 2.

In the case of Consumer 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-retail restructuring loans (consumer credit-vehicle-mortgage), 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 Through Profit or Loss", "Financial Assets at Fair Value Through Other Comprehensive Income" and "Financial Assets Measured at Amortized Cost" in the balance sheet according to the investment purposes and measured according to the portfolio of the Group 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 rate of return) method". Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from money market" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the "Effective interest rate method". The Parent Bank has no securities lending transactions.

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

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

As of 31 December 2023 and 31 December 2022, 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 31 December 2004 end of the high inflation period is accepted as 31 December 2004, are subject to inflation indexation until 31 December 2004. Intangible assets purchased after 31 December 2004 are recognised with their acquisition cost in the financial statements.

As of 31 December 2023, there is no net book value of goodwill (31 December 2022: 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 31 December 2004 or subject to inflation indexation until 31 December 2004. Property and equipment purchased after 31 December 2004 are recognized with their purchase cost in the financial statements. Property and equipment are amortized by using the straight line method based on their useful lives, such as buildings depreciated at rate 2%, vehicles at rates 20%, furniture at rate 20%, and other tangible assets at rates ranging from 2% to 33%. The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item will remain in property and equipment. Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its net sales revenue. Repair and maintenance expenses in order to increase the useful life of the property and equipment are capitalized, other repair and maintenance costs are recognized as expenses. There are no mortgages, pledges or similar precautionary measures on tangible fixed assets.

XVI. EXPLANATIONS ON LEASING TRANSACTIONS

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

XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

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 1 January 2019.

The Group's accounting policies following the application of TFRS 16 are as follows:

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.

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.

XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

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:

- Increases the book value to reflect the interest on the lease obligation; and
- Decreases the book value to reflect the lease payments made.

In addition, if there is a change in the lease term, a change in the underlying fixed lease payments, or a change in the assessment of the option to purchase the underlying asset, the value of the finance lease liabilities is remeasured.

Short-term leases and leases of low-value assets

The Group applies the short-term lease registration exemption to short-term machinery and equipment lease agreements (i.e. assets that have a lease term of 12 months or less from the commencement date and do not have an option to purchase). It also applies the exemption from accounting for low value assets to office equipment whose rental value is considered to be of low value. 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 31 December 2023 amounted to TL 99.015 (31 December 2022: TL 89.755), lease liability amounted to TL 119.532 (31 December 2022: TL 92.776), depreciation expense amounted to TL 56.790 (31 December 2022: TL 40.256) and interest expense amounted to TL 26.939 (31 December 2022: TL 18.197).

XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

XVIII. EXPLANATIONS ON CONTINGENT ASSETS

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

XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with "Employee Rights Standard" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet. Under the Turkish Labour Law, the Group 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 allocates provision for retirement and termination liabilities by estimating the net present value of future payments 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 2,44% (31 December 2022: 3,17%).

As of 31 December 2023, actuarial loss amounted to TL 184.595 (31 December 2022: TL 142.741 loss) is recognized under other profit reserves in the financial statements.

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

XX. EXPLANATIONS ON TAXATION

a) Current Tax:

In accordance with Article 32 of the Corporate Tax Law No. 5520, which was published in the Official Gazette dated 21 June 2006 and numbered 26205, the corporate tax rate was determined as 20%. Pursuant to the amendment made in the Corporate Tax Law with the Law No. 7394, which was published in the Official Gazette dated 15 April 2022 and numbered 31810; The corporate tax rate has been permanently increased to 25% for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. With the Law No. 7456, which was published in the Official Gazette dated 15 July 2023 and numbered 32249, the said rate was determined as 30% for the same companies. It is stipulated that the aforementioned regulation will be applied, starting from the declarations that must be submitted as of 1 October 2023, and to be valid for the corporate earnings for the taxation period starting from 1 January 2023. Accordingly, the current tax provision is calculated at a tax rate of 30% for corporate profits for the tax period of 2023 and beyond. The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and deducting the exemptions in the tax laws (such as the subsidiary earnings exception). No further tax is paid if the profit is not distributed.

There is no withholding tax on profit shares (dividends) paid to institutions that generate income through a workplace or permanent representative in Turkey and to institutions residing in Turkey. Dividend payments other than those made to non-resident companies that generate income through a workplace or their permanent representative in Turkey and to companies residing in Turkey are subject to 10% withholding tax. In the application of the withholding tax rates for profit distributions to limited taxpayer institutions and real persons, the practices included in the relevant "Double Taxation Avoidance Agreements" are also taken into consideration. Addition of profit to capital is not considered as profit distribution and withholding tax is not applied.

In accordance with the provision of Article 298/A of the Tax Procedure Law, the conditions required for inflation adjustment in corporate tax calculations are met as of the end of the 2021 calendar year. However, the regulation made by Law No. 7352 dated 20 January 2022, defers the application of inflation adjustment in corporate tax calculations to 2023. Accordingly, it is stipulated that financial statements for the 2022 and 2023 accounting periods, including the provisional tax periods, shall not be subject to inflation adjustment, and financial statements dated 31 December 2023, shall be subject to inflation adjustment regardless of whether the conditions for inflation adjustment have been met, and the profit/loss differences arising from inflation adjustment shall be shown in the profit/loss account of previous years without affecting the corporate tax base.

XX. EXPLANATIONS ON TAXATION (Continued)

a) Current Tax (Continued) :

With the Law No. 7338, the title of repetitive article 298 of the Tax Procedure Law was changed to "inflation adjustment, revaluation rate and revaluation", and the revaluation institution was made permanent as of 1 January 2022, by adding paragraph (Ç) to the article. With the regulation, income or corporate taxpayers, who are subject to full liability and keep books on the balance sheet basis, will be able to revalue the depreciable economic assets included in their balance sheets and the depreciation amounts allocated for them at the end of the periods when the conditions for making inflation adjustments are not met.

Moreover, taxpayers - who prefer to re-evaluate within the scope of paragraph (Ç) of the 298th article with the temporary article 32 added to the Tax Procedure Law - will be able to revalue the immovables and other depreciable economic assets recorded in their balance sheets at the end of the accounting period prior to the accounting period for which they will be revalued for the first time. Taxpayers who opt for revaluation will monitor the increase in the value of the economic assets included in the scope of the revaluation in a special fund account in the liabilities of the balance sheet.

Regarding this matter, the Communiqué amending the Tax Procedure Law General Communiqué No. 547 (serial no. 537) was published on 14 January 2023, and explanations regarding the revaluation of depreciable assets are provided.

The Bank revalues its depreciable assets in its balance sheet in accordance with Article 298 and Temporary Article 32 of the Tax Procedure Law, and the values of depreciable assets after revaluation are taken into account in the corporate tax calculation.

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.

According to the Turkish tax legislation, financial losses shown on the declaration can be deducted from the corporate income for the period, provided that it does not exceed 5 years. However, financial losses cannot be deducted from previous financial year profits.

b) Deferred Tax Assets / Liabilities:

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.

Pursuant to the amendment made in the Corporate Tax Law with the Law No. 7394; The corporate tax rate for banks and various other corporations has been increased to 25%. The new rate, which was determined as 30% by Law No. 7456, which was published in the Official Gazette dated 15 July 2023 and numbered 32249, will be applied starting from the declarations that must be submitted as of 1 October 2023. Therefore, as of 31 December 2023, the Group has calculated a 30% deferred tax on all its assets and liabilities.

Deferred tax assets and liabilities are reflected in the financial statements by netting. Net deferred tax asset resulting from offsetting is shown in the balance sheet as deferred tax asset and net deferred tax liability is shown as deferred tax liability. As of 31 December 2023, the Group has recognized deferred tax receivable amounting to TL 489.382 as an asset (31 December 2022: The Group has recognized a deferred tax receivable amounting to TL 423.306 as an asset).

XX. EXPLANATIONS ON TAXATION (Continued)

b) Deferred Tax Assets / Liabilities (Continued):

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 18 November 2007, explains the application related issues on this topic. According to this communiqué, the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. As stated in the "7.1 Annual Documentation" section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices. Group has filled out the related form and presented it to the tax office.

XXI. EXPLANATIONS ON BORROWINGS

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the consolidated financial statements enclosed, foreign currency borrowings are translated according to the Parent Bank's period end exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognized in the financial statements. Also the Group provides resources through the bond issue. As of 31 December 2023 and 31 December 2022, the Group has no convertible bonds.

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 31 December 2023 and 31 December 2022, the Group has no issued share certificates.

XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

Avalized 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 31 December 2023 and 31 December 2022, the Group has no government incentives.

XXV. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

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

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.

	Current Period 31 December 2023	**Prior Period 31 December 2022**
Net Earnings/(Loss) for the Period	4.304.108	3.066.865
Number of Shares	65.229.000.000	65.229.000.000
Earnings/(Loss) per Share (*)	**0,065984**	**0,047017**

(*) Amounts are expressed in full TL.

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.

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

SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

Equity and Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and "Communiqué on Equities of Banks". As of 31 December 2023, equity of the Group and the Parent Bank is amounting to TL 16.254.124 and TL 15.924.613 respectively, and capital adequacy ratio is 24,67% and 24,41% respectively. As of 31 December 2022 equity of the Group and the Parent Bank is amounting to TL 10.421.747 and TL 10.270.751 respectively and the capital adequacy ratio was 21,53% and 21,38% respectively. Capital adequacy ratio of the Group is higher than the minimum rate required by the related regulation.

a) Information about consolidated shareholders' equity items:

	Current Period 31 December 2023	Prior Period 31 December 2022
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	652.290
Share Premium	-	-
Reserves	6.958.648	3.891.783
Other Comprehensive Income according to TAS	131.783	100.572
Profit	4.304.108	3.066.865
Current Period Profit	4.304.108	3.066.865
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	-
Minorities' Share	-	-
Common Equity Tier I Capital Before Deductions	**12.046.829**	**7.711.510**
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses Not Covered by Reserves, and Losses Accounted under Equity according to TAS	184.595	142.741
Leasehold Improvements on Operational Leases	40.010	24.799
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	424.681	302.183
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 1 Capital according to second paragraph of the provisional article 2 in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued common share capital of the entity	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	-
Total Deductions from Common Equity Tier I Capital	**649.286**	**469.723**
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	-	101.143
Total Common Equity Tier I Capital	**11.397.543**	**7.342.930**

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

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

	Current Period 31 December 2023	Prior Period 31 December 2022
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of 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 (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**11.397.543**	**7.342.930**
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	4.255.901	2.596.792
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)	605.221	495.002
Total Deductions from Tier II Capital	**4.861.122**	**3.091.794**
Deductions from Tier II Capital	**-**	**-**
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	1.071	277
Total Deductions from Tier II Capital	**1.071**	**277**
Total Tier II Capital	**4.860.051**	**3.091.517**
Total Equity (Total Tier I and Tier II Capital)	**16.257.594**	**10.434.447**
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	90
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	3.470	12.610
Other items to be Defined by the BRSA	-	-
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of 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 the10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of 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	-	-

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

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

	Current Period 31 December 2023	Prior Period 31 December 2022
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	16.254.124	10.421.747
Total Risk Weighted Assets	65.880.380	48.408.425
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	17,30	15,17
Consolidated Tier I Capital Ratio (%)	17,30	15,17
Consolidated Capital Adequacy Ratio (%)	24,67	21,53
BUFFERS		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,56	2,52
a) Capital Conservation Buffer Ratio (%)	2,50	2,50
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,06	0,02
c) Systemic significant Bank Buffer Ratio (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital conservation and countercyclical Capital buffers to Risk weighted Assets (%)	8,75	6,65
Amounts Lower Than Excesses as per the Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	1.821.271	1.961.546
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	605.221	495.002
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018 - 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

Within the scope of the regulations of the Banking Regulation and Supervision Agency dated 28 April 2022 and 21 December 2021, the amount subject to credit risk is allowed to be calculated with the Central Bank's foreign exchange buying rates as of 31 December 2022, and in case the net valuation differences of the securities whose fair value difference is reflected in other comprehensive income are negative, it is allowed that these differences are not taken into account in the amount of equity to be used for the capital adequacy ratio.

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

b) Items included in consolidated capital calculation:

Information about instruments that will be included in total capital calculation: Details on Subordinated Liabilities:	
Issuer	HSBC HOLDINGS PLC
Identifier(s) (CUSIP, ISIN vb.)	Subordinated Loans
Governing law (s) of the instrument	BRSA
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Not Deducted
Eligible on unconsolidated and /or consolidated basis	Eligible
Instrument type	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	4.256
Nominal value of instrument	4.256
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
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	EURIBOR + 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	-
Convertible or non-convertible into equity shares	
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	-
Write-down feature	
If bonds can be written-down, write-down trigger(s)	-
If bond can be written-down, full or partial	-
If bond can be written-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	After borrowing, before additional capital, same as other contribution capital
Whether the conditions set forth in Articles 7 and 8 of the Regulation on Banks' Equity are met or not	In compliance with the requirements of Article 7 and 8 of "Regulation on Equity of Banks"
Which of the conditions set forth in Articles 7 and 8 of the Regulation on Banks' Equity are not met	In compliance with the requirements of Article 7 and 8 of "Regulation on Equity of Banks"

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

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

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

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 and subordinated-debts. In the calculation of "Total Capital", general provision up to 1,25% credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the 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".

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

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

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

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

According to HSBC Group standards, in all banking transactions approval and control mechanisms and systematical limit and risk control mechanisms are available. In assigning loan limits, extending credit, derivative and other future delivery derivative transactions are conducted depending to management's authorization, approval and control processes. Customer's and bank's treasury departments based monitoring is conducted on determining periodic risk limits and risk allocations with risk concentrations regarding the balance sheet and off-balance transactions conducted. Risk parameters specific to products, reverse trend and concentration are also taken into account in limit allocation for derivative products.

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

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

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

The Parent Bank management has established a customer rating system in order to determine and define the risk degrees and credit worthiness of all companies within the framework of corporate loans.

Corporate and Commercial Loan Portfolio Rating System:

Customer Risk Rating System (CRR Rating) shows the probabilities of the non-performing loans of the loan borrowers. CRR rating is a summarized risk indicator which indicates the loan borrower's financial situation, industry and past operations, management's skills and other information including the cash flow, profitability and debt situation. Regardless of guarantees and limits of the companies, CRR rating evaluates the risks objectively and independently and indicates the customer risk profiles in all aspects. The responsibility of the compliance of the CRR rate given belongs to the staff who approved the last control. The reviews over the CRR rates given are conducted at least once in a year and at each credit application reviews. Also in necessary cases the units which approve loans can reassess the CRR rates and indicate necessary changes.

23 basic customer risk rating ranges are as follows:

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

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

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

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

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

- Debtor is late more than 90 days to meet its obligations to the Bank
- Achieving no results from debt restructuring approaches
- Restructured debt lapsed into default again
- Legal proceedings have begun
- Debt was restructured by granting privilege to the firm due to financial difficulties

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

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

Risk Classification(*)	Current Period Risk Amount	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or central banks	27.445.913	25.063.293
Conditional and unconditional receivables from regional governments or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	50	50
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	17.787.291	14.830.491
Conditional and unconditional corporate receivables	38.067.155	40.257.830
Conditional and unconditional retail receivables	4.152.428	4.502.349
Conditional and unconditional receivables secured by mortgages	1.607.306	1.814.746
Past due receivables	85.009	60.498
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-
Investments of natured collective investment enterprise	-	-
Stock Investments	-	-
Other receivables	4.102.326	3.742.440
Total	**93.247.478**	**90.271.697**

(*) The risk amounts are given after the credit conversion ratio but before the credit risk mitigation.
(**) The average risk amount is determined by taking the arithmetic mean of values in the month-end reports.

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

Risk Classification (*)	Prior Period Risk Amount	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or central banks	14.404.282	12.343.245
Conditional and unconditional receivables from regional governments or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	44	39
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.020.228	3.435.276
Conditional and unconditional corporate receivables	32.549.955	33.654.306
Conditional and unconditional retail receivables	4.684.382	3.985.942
Conditional and unconditional receivables secured by mortgages	1.343.361	816.127
Past due receivables	69.136	83.699
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-
Investments of natured collective investment enterprise	-	-
Stock Investments	-	-
Other receivables	2.774.469	2.443.701
Total	**59.845.857**	**56.762.335**

(*) The risk amounts are given after the credit conversion ratio but before the credit risk mitigation.
(**) The average risk amount is determined by taking the arithmetic mean of values in the month-end reports.

b. Control limits over the positions of the Parent Bank in terms of forward and option contracts and other similar contracts, the manageability of the credit risk assumed for such instruments together with the potential risks arising from market movements;

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

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

During the management of the balance sheet, interest and liquidity risks, the Parent Bank's constantly uses derivatives and its resources in the international financial markets within the limits allocated in order to reduce and control risks.

d. Risk weight of indemnified non-cash loans, like non-performing loans:

As of 31 December 2023, the Parent Bank has TL 7 (31 December 2022: TL 7) of non-cash loans turned into cash loans.

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

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

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Letters of Guarantee	7	-	7	-
Prefinancing Loans	-	-	-	-
Commercial Letter of Credit Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Bad Check Payments	-	-	-	-
Other Liabilities	-	-	-	-
Total	**7**	**-**	**7**	**-**

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

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

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

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

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

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

g. The proportion of the Group's top 100 and 200 cash loan balances in total cash loans:
89% and 91% (31 December 2022: 85% and 88%).

The proportion of the Group's top 100 and 200 non-cash loan balances in total non-cash loans: 99% and 100% (31 December 2022: 98% and 100%).

The proportion of the Group's cash and non-cash loan balances with the first 100 and 200 customers comprises of total cash loans and non-cash loans: 87% and 94% (31 December 2022: 81% and 90%).

h. Stage 1 and Stage 2 loan loss provision booked by the Bank: TL 1.613.874 (31 December 2022: TL 1.884.673).

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

Current Period	**Risk Categories (*)**																	
31 December 2023	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
Domestic	27.413.512	-	50	-	-	15.648.296	37.865.763	4.087.821	1.489.504	84.498	-	-	-	-	-	-	4.102.326	90.691.770
European Union Countries	-	-	-	-	-	1.800.547	68	24.308	27	454	-	-	-	-	-	-	-	1.825.404
OECD Countries (**)	-	-	-	-	-	25.313	-	2.431	-	4	-	-	-	-	-	-	-	27.748
Off – Shore Banking Regions	-	-	-	-	-	42.403	-	1.790	-	-	-	-	-	-	-	-	-	44.193
USD, Canada	-	-	-	-	-	7.036	8	4.878	-	8	-	-	-	-	-	-	-	11.930
Other Countries	32.401	-	-	-	-	263.696	201.316	31.200	117.775	45	-	-	-	-	-	-	-	646.433
Associates, Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**27.445.913**	**-**	**50**	**-**	**-**	**17.787.291**	**38.067.155**	**4.152.428**	**1.607.306**	**85.009**	**-**	**-**	**-**	**-**	**-**	**-**	**4.102.326**	**93.247.478**

(*) Risk classes in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy will be taken into account. The risk amount is given after the credit conversion ratio but before the credit risk mitigation.
(**) OECD countries other than EU Countries, USA and Canada.
(***) Assets and liabilities that are not distributed according to a consistent principle

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

Prior Period	**Risk Categories (*)**																	
31 December 2022	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
Domestic	13.866.629	-	44	-	-	2.806.815	32.357.723	4.609.518	1.286.551	69.093	-	-	-	-	-	-	2.774.469	57.770.842
European Union Countries	-	-	-	-	-	980.120	108.975	21.633	58	37	-	-	-	-	-	-	-	1.110.823
OECD Countries (**)	-	-	-	-	-	34.864	-	1.592	-	-	-	-	-	-	-	-	-	36.456
Off – Shore Banking Regions	-	-	-	-	-	33.171	-	911	-	-	-	-	-	-	-	-	-	34.082
USD, Canada	-	-	-	-	-	6.279	5	3.981	-	1	-	-	-	-	-	-	-	10.266
Other Countries	537.653	-	-	-	-	158.979	83.252	46.747	56.752	5	-	-	-	-	-	-	-	883.388
Associates, Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**14.404.282**	**-**	**44**	**-**	**-**	**4.020.228**	**32.549.955**	**4.684.382**	**1.343.361**	**69.136**	**-**	**-**	**-**	**-**	**-**	**-**	**2.774.469**	**59.845.857**

(*) Risk classes in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy will be taken into account. The risk amount is given after the credit conversion ratio but before the credit risk mitigation.
(**) OECD countries other than EU Countries, USA and Canada.
(***) Assets and liabilities that are not distributed according to a consistent principle

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

j. Risk profile according to Sectors and Counterparties:

Current Period 31 December 2023	Risk Categories (*)																		
Sectors/Counterparties	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agricultural	-	-	-	-	-	-	**105**	-	-	-	-	-	-	-	-	-	-	**105**	-	**105**
Farming and Raising																				
Livestock	-	-	-	-	-	-	99	-	-	-	-	-	-	-	-	-	-	99	-	99
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	6	-	-	-	-	-	-	-	-	-	-	6	-	6
Industry	-	-	-	-	-	-	**23.637.621**	-	**532.582**	**75.132**	-	-	-	-	-	-	-	**9.830.067**	**14.415.268**	**24.245.335**
Mining and Quarrying	-	-	-	-	-	-	496.423	-	-	-	-	-	-	-	-	-	-	16.247	480.176	496.423
Production	-	-	-	-	-	-	21.197.724	-	532.582	75.130	-	-	-	-	-	-	-	9.800.987	12.004.449	21.805.436
Electricity, Gas, Water	-	-	-	-	-	-	1.943.474	-	-	2	-	-	-	-	-	-	-	12.833	1.930.643	1.943.476
Construction	-	-	-	-	-	**3.860**	**2.852.548**	-	-	-	-	-	-	-	-	-	-	**88.020**	**2.768.388**	**2.856.408**
Services	**27.445.913**	-	**1**	-	-	**17.783.431**	**7.343.081**	-	**1.058.617**	**3.034**	-	-	-	-	-	-	-	**40.686.334**	**12.947.743**	**53.634.077**
Wholesale and Retail Trade	-	-	-	-	-	-	5.144.333	-	31.799	2.994	-	-	-	-	-	-	-	2.800.790	2.378.336	5.179.126
Hotel and Beverage Service	-	-	-	-	-	-	579.852	-	-	40	-	-	-	-	-	-	-	88.927	490.965	579.892
Transportation and Telecommunication	-	-	-	-	-	-	1.555.638	-	133.859	-	-	-	-	-	-	-	-	279.254	1.410.243	1.689.497
Financial Institutions	27.445.913	-	-	-	-	17.783.431	61.041	-	892.959	-	-	-	-	-	-	-	-	37.515.145	8.668.199	46.183.344
Real Estate and Lending Service	-	-	-	-	-	-	270	-	-	-	-	-	-	-	-	-	-	270	-	270
Self-Employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Service	-	-	1	-	-	-	3	-	-	-	-	-	-	-	-	-	-	4	-	4
Health and Social Services	-	-	-	-	-	-	1.944	-	-	-	-	-	-	-	-	-	-	1.944	-	1.944
Other	-	-	**49**	-	-	-	**4.233.800**	**4.152.428**	**16.107**	**6.843**	-	-	-	-	-	-	**4.102.326**	**7.806.235**	**4.705.318**	**12.511.553**
TOTAL	**27.445.913**	-	**50**	-	-	**17.787.291**	**38.067.155**	**4.152.428**	**1.607.306**	**85.009**	-	-	-	-	-	-	**4.102.326**	**58.410.761**	**34.836.717**	**93.247.478**

(*) Risk classes in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy will be taken into account. The risk amount is given after the credit conversion ratio but before the credit risk mitigation.

1 Conditional and unconditional receivables from central governments or central banks
2 Conditional and unconditional receivables from regional governments or local governments
3 Conditional and unconditional receivables from administrative units and non-commercial enterprises
4 Conditional and unconditional receivables from multilateral development banks
5 Conditional and unconditional receivables from international organizations
6 Conditional and unconditional receivables from banks and brokerage houses
7 Conditional and unconditional corporate receivables
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16 Stock investments
17 Other receivables

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

Prior Period
31 December 2022

	Risk Categories (*)																			
Sectors/Counterparties	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agricultural	**-**	**-**	**-**	**-**	**-**	**-**	**171.221**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**156.081**	**15.140**	**171.221**
Farming and Raising Livestock	-	-	-	-	-	-	171.212	-	-	-	-	-	-	-	-	-	-	156.072	15.140	171.212
Forestry	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	2	-	2
Fishing	-	-	-	-	-	-	7	-	-	-	-	-	-	-	-	-	-	7	-	7
Industry	**-**	**-**	**-**	**-**	**-**	**-**	**22.317.967**	**-**	**239.495**	**49.923**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10.666.831**	**11.940.554**	**22.607.385**
Mining and Quarrying	-	-	-	-	-	-	271.584	-	-	33	-	-	-	-	-	-	-	8.045	263.572	271.617
Production	-	-	-	-	-	-	19.275.595	-	239.495	49.890	-	-	-	-	-	-	-	10.625.717	8.939.263	19.564.980
Electricity, Gas, Water	-	-	-	-	-	-	2.770.788	-	-	-	-	-	-	-	-	-	-	33.069	2.737.719	2.770.788
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**1.457.359**	**-**	**84.542**	**2.745**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**43.099**	**1.501.547**	**1.544.646**
Services	**14.404.282**	**-**	**1**	**-**	**-**	**4.020.228**	**6.631.980**	**-**	**994.817**	**7.937**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13.369.467**	**12.689.778**	**26.059.245**
Wholesale and Retail Trade	-	-	-	-	-	-	3.751.853	-	52.622	7.374	-	-	-	-	-	-	-	1.952.649	1.859.200	3.811.849
Hotel and Beverage Service	-	-	-	-	-	-	421.507	-	41.586	563	-	-	-	-	-	-	-	16.999	446.657	463.656
Transportation and Telecommunication	-	-	-	-	-	-	2.282.878	-	125.781	-	-	-	-	-	-	-	-	854.346	1.554.313	2.408.659
Financial Institutions	14.404.282	-	-	-	-	4.020.228	154.438	-	774.803	-	-	-	-	-	-	-	-	10.524.143	8.829.608	19.353.751
Real Estate and Lending Service	-	-	-	-	-	-	7.967	-	-	-	-	-	-	-	-	-	-	7.967	-	7.967
Self-Employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Service	-	-	1	-	-	-	3	-	-	-	-	-	-	-	-	-	-	4	-	4
Health and Social Services	-	-	-	-	-	-	13.334	-	25	-	-	-	-	-	-	-	-	13.359	-	13.359
Other	**-**	**-**	**43**	**-**	**-**	**-**	**1.971.428**	**4.684.382**	**24.507**	**8.531**	**-**	**-**	**-**	**-**	**-**	**-**	**2.774.469**	**6.832.260**	**2.631.100**	**9.463.360**
TOTAL	**14.404.282**	**-**	**44**	**-**	**-**	**4.020.228**	**32.549.955**	**4.684.382**	**1.343.361**	**69.136**	**-**	**-**	**-**	**-**	**-**	**-**	**2.774.469**	**31.067.738**	**28.778.119**	**59.845.857**

(*) Risk classes in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy will be taken into account. The risk amount is given after the credit conversion ratio but before the credit risk mitigation.

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

k. Term Distribution of Risks with Term Structure:

Current Period - Risk Categories(*)	Time to maturity Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments or central banks	13.666.720	333.666	-	1.314.749	8.831.185
Conditional and unconditional receivables from regional governments or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	49	-	-	-	1
Conditional and unconditional receivables from multilateral development Banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	14.632.910	1.082.245	398.478	420.806	1.234.293
Conditional and unconditional corporate receivables	7.695.874	4.154.048	7.154.733	10.266.676	8.795.822
Conditional and unconditional retail receivables	3.479.179	125.368	73.565	351.476	122.840
Conditional and unconditional receivables secured by mortgages	15.770	33.861	153.128	14.275	1.390.272
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	357.216	-	-	-	-
TOTAL	**39.847.718**	**5.729.188**	**7.779.904**	**12.367.982**	**20.374.413**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion ratio.

Prior Period - Risk Categories (*)	Time to maturity Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments or central banks	7.912.672	68	817.808	163.574	2.551.271
Conditional and unconditional receivables from regional governments or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	43	-	-	-	1
Conditional and unconditional receivables from multilateral development Banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.389.019	770.103	507.499	236.340	1.027.158
Conditional and unconditional corporate receivables	6.477.197	6.798.555	6.100.335	5.080.580	8.093.288
Conditional and unconditional retail receivables	2.940.963	110.970	94.105	946.087	592.257
Conditional and unconditional receivables secured by mortgages	13	1.681	54.710	127.948	1.159.009
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	42.347	-	-	-	-
TOTAL	**18.762.254**	**7.681.377**	**7.574.457**	**6.554.529**	**13.422.984**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion ratio.

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

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

Rating scores;

1. Receivables from Central Governments or Central Banks
2. Receivables from Banks and Brokerage Houses

are used in risk classes.

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

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

		Risk Categories		
			Receivables from Banks and Intermediary Institutions	
Credit Quality Degrees	Fitch Risk Rating	Receivables from Central Governments or Central Banks	Receivables With Remaining Maturity Less Than 3 Months	Receivables With Remaining Maturity More Than 3 Months
1	Aaa Aa+ Aa Aa-	0%	20%	20%
2	A+ A A-	20%	20%	50%
3	BBB+ BBB BBB-	50%	20%	50%
4	BB+ BB BB-	100%	50%	100%
5	B+ B B-	100%	50%	100%
6	CCC DDD DD D	150%	150%	150%

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

m. Risk Amounts According to Risk Weights:

31 December 2023	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted From Equity
1.Amount Before Credit Risk Mitigation	30.506.924	-	17.479.911	-	179.872	3.212.509	39.983.437	762.026	1.122.799	-	-	469.232
2.Amount After Credit Risk Mitigation	30.506.924	-	17.479.911	13.654	2.231.935	3.187.784	38.022.770	761.152	1.122.799	-	-	469.232

31 December 2022	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted From Equity
1.Amount Before Credit Risk Mitigation	16.550.805	-	2.404.747	-	1.555.682	2.669.665	34.724.862	446.819	1.493.277	-	-	339.869
2.Amount After Credit Risk Mitigation	16.550.805	-	2.404.747	24.579	4.550.784	2.595.581	31.352.474	366.360	1.493.277	-	-	339.869

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

Miscellaneous Information regarding Major Sectors or Counterparty Type:

Current Period	**Loans**		
Major Sectors/ Counterparties	**Significant Increase in Credit Risk (Stage 2) (*)**	**Defaulted (Stage 3)**	**Provision of Expected Credit Losses (TFRS 9) (**)**
Agricultural	**-**	**-**	**-**
Farming and Raising Livestock	-	-	-
Forestry	-	-	-
Fishing	-	-	-
Industry	**829.138**	**41.384**	**7.273**
Mining and Quarrying	-	548	559
Production	46.928	40.818	6.698
Electricity, Gas, Water	782.210	18	16
Construction	**1.537.593**	**23.664**	**22.696**
Services	**2.068.974**	**6.925**	**3.902**
Wholesale and Retail Trade	31.799	5.818	2.825
Hotel and Beverage Service	874.654	186	156
Transportation and Telecommunication	3.128	157	157
Financial Institutions	-	-	-
Real Estate and Lending Service	1.159.393	764	764
Self-Employment Service	-	-	-
Education Service	-	-	-
Health and Social Services	-	-	-
Other	**358.425**	**58.981**	**55.243**
Total	**4.794.130**	**130.954**	**89.114**

(*) Close monitoring amounts.
(**) Refers to Stage 3 loan loss provisions.

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

Prior Period	**Loans**		
Major Sectors/ Counterparties	**Significant Increase in Credit Risk (Stage 2) (*)**	**Defaulted (Stage 3)**	**Provision of Expected Credit Losses (TFRS 9) (**)**
Agricultural	-	-	-
Farming and Raising Livestock	-	-	-
Forestry	-	-	-
Fishing	-	-	-
Industry	**5.877.603**	**51.685**	**7.451**
Mining and Quarrying	74.654	542	508
Production	3.486.261	51.143	6.943
Electricity, Gas, Water	2.316.688	-	-
Construction	**1.544.321**	**33.172**	**28.117**
Services	**3.746.066**	**10.853**	**2.889**
Wholesale and Retail Trade	157.891	9.282	1.918
Hotel and Beverage Service	585.130	606	54
Transportation and Telecommunication	1.192.646	156	156
Financial Institutions	875.067	-	-
Real Estate and Lending Service	935.332	809	761
Self-Employment Service	-	-	-
Education Service	-	-	-
Health and Social Services	-	-	-
Other	**357.849**	**71.841**	**67.366**
Total	**11.525.839**	**167.551**	**105.823**

(*) Close monitoring amounts.
(**) Represents stage 3 loan loss provisions.

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

Current Period 31 December 2023	**Opening Balance**	**TFRS 9 Transition Balance**	**Provisions provided during the period**	**Provision Reversals**	**Other Adjustments(*)**	**Closing Balance**
Specific Provisions	105.823	-	29.024	(20.047)	(25.686)	89.114
General Provisions(**)	1.943.214	-	514.880	(572.797)	(85.771)	1.799.526

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

Prior Period 31 December 2022	**Opening Balance**	**TFRS 9 Transition Balance**	**Provisions provided during the period**	**Provision Reversals**	**Other Adjustments(*)**	**Closing Balance**
Specific Provisions	245.618	-	48.039	(60.358)	(127.476)	105.823
General Provisions(**)	1.621.784	-	321.430	-	-	1.943.214

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

p. The movement of specific provision of the Group's loan and other receivables:

	Commercial Loans	**Consumer Loans**	**Credit Cards**	**Total**
1 January 2023	**18.334**	**27.091**	**60.398**	**105.823**
Transferred during the period	3.744	8.448	16.832	29.024
Collection during the period	(1.268)	(9.397)	(9.382)	(20.047)
Write-off/sold	-	(7.281)	(18.405)	(25.686)
31 December 2023	**20.810**	**18.861**	**49.443**	**89.114**

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

p. The movement of specific provision of the Group's loan and other receivables (Continued):

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2022	**81.960**	**45.775**	**117.883**	**245.618**
Transferred during the period	548	11.354	36.137	48.039
Collection during the period	(18.703)	(10.452)	(31.203)	(60.358)
Write-off/sold	(45.471)	(19.586)	(62.419)	(127.476)
31 December 2022	**18.334**	**27.091**	**60.398**	**105.823**

q. Information on types of loans and provisions:

	Commercial Loans	Consumer Loans	Credit Cards	Total
Current Period – 31 December 2023				
Standard loans	39.384.707	657.239	2.600.393	42.642.339
Close monitoring loans	4.458.389	71.725	264.016	4.794.130
Non-performing loans	50.599	23.667	56.688	130.954
Specific provisions (-)	20.810	18.861	49.443	89.114
Total	**43.872.885**	**733.770**	**2.871.654**	**47.478.309**

(*) Loans also include factoring receivables amounting to TL 272.395.

	Commercial Loans	Consumer Loans	Credit Cards	Total
Prior Period - 31 December 2022				
Standard loans	23.573.917	1.784.422	2.347.286	27.705.625
Close monitoring loans	11.159.409	112.001	254.429	11.525.839
Non-performing loans	65.939	31.884	69.728	167.551
Specific provisions (-)	18.334	27.091	60.398	105.823
Total	**34.780.931**	**1.901.216**	**2.611.045**	**39.293.192**

(*) Loans also include factoring receivables amounting to TL 364.532.

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

	Current Period 31 December 2023 Collateral Value	Prior Period 31 December 2022 Collateral Value
Mortgages	53.066	78.160
Pledged Vehicle	43	123
Cheques and Notes	-	-
Cash	-	-
Total	**53.109**	**78.283**

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

III. EXPLANATIONS ON CONSOLIDATED COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION

Current Period 31 December 2023	**Private sector credit exposures in banking book**	**Risk weighted equivalent trading book**	**Total**
Turkey	52.050.132	2.745.098	54.795.230
Great Britain	1.048.352	954.032	2.002.384
Germany	54.639	-	54.639
Spain	466	-	466
Romania	171	-	171
Canada	1.872	-	1.872
Republic of China	25.461	-	25.461
France	33.920	6.324	40.244
Japan	6.801	-	6.801
Sweden	8.787	-	8.787
Other	600.308	848	601.156

Prior Period 31 December 2022	**Private sector credit exposures in banking book**	**Risk weighted equivalent trading book**	**Total**
Turkey	43.734.698	2.031.083	45.765.781
Great Britain	66.883	472.443	539.326
Germany	81.642	9	81.651
fSpain	109.209	-	109.209
Romania	150	-	150
Canada	1.588	-	1.588
Republic of China	6.582	-	6.582
France	14.569	-	14.569
Japan	10.296	-	10.296
Sweden	8.733	-	8.733
Other	552.399	109	552.508

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:

Currency risk refers to the probability of loss that banks may be exposed to due to changes in exchange rates. The Bank manages the currency risk in accordance with the "Regulation on Calculation and Application of the Foreign Currency Net General Position / Equity Standard Ratio by Banks on Consolidated and Unconsolidated Basis" and the Board Decision taken in accordance with the mentioned regulation, dated 26 December 2022 and numbered 10458.

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 Group acts in accordance with both the legal limitations and the limitations determined by the Board of the Directors.

b) Management policy for foreign currency risk:

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

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

IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

c) Current foreign exchange bid rates of the Parent Bank for the last five business days prior to the financial statement date:

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

Current Period – 31 December 2023	USD ($)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	29,5600	32,7377
Prior Balance Sheet Date		
29 December 2023	29,5600	32,7377
28 December 2023	29,4401	32,7108
27 December 2023	29,3804	32,6386
26 December 2023	29,2251	32,2178
25 December 2023	29,2251	32,2178

Prior Period – 31 December 2022	USD ($)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	18,7140	19,9753
Prior Balance Sheet Date		
29 December 2022	18,7187	19,9391
28 December 2022	18,7191	19,9190
27 December 2022	18,6814	19,8509
26 December 2022	18,6814	19,8509
23 December 2022	18,6814	19,8509

d) The simple arithmetic average of the Group's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies:

As of December 2023, the Bank's simple arithmetic average foreign exchange rate for USD is TL 29,1189 (December 2022: TL 18,6593) and exchange rate for Euro is TL 31,8032 (December 2022: TL 19,7496).

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

IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

e) Information related to Group's currency risk:

Current Period – 31 December 2023	Euro	USD	Other FC	Total
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	4.566.489	6.529.823	2.444.457	13.540.769
Banks	3.070	620.773	25.649	649.492
Financial Assets at Fair Value through Profit or Loss (Net)	205.223	412.298	-	617.521
Interbank Money Market Placements	-	14.797.250	-	14.797.250
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans	18.794.453	7.573.032	-	26.367.485
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	4.031	119.887	36	123.954
Total Assets	**23.573.266**	**30.053.063**	**2.470.142**	**56.096.471**
Liabilities				
Bank Deposits	-	79	-	79
Foreign Currency Deposits	10.783.909	25.753.240	12.559.043	49.096.192
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	5.494.333	3.789.776	-	9.284.109
Marketable Securities Issued (Net)	-	-	-	-
Miscellaneous Payables	10.350	1.089.255	17.886	1.117.491
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	303.390	692.446	196.103	1.191.939
Total Liabilities	**16.591.982**	**31.324.796**	**12.773.032**	**60.689.810**
Net On Balance Sheet Position	**6.981.284**	**(1.271.733)**	**(10.302.890)**	**(4.593.339)**
Net Off-Balance Sheet Position	**(6.886.510)**	**1.286.169**	**10.282.299**	**4.681.958**
Financial Derivative Assets	41.470.564	68.990.944	17.095.867	127.557.375
Financial Derivative Liabilities	48.357.074	67.704.775	6.813.568	122.875.417
Non-cash Loans	7.919.203	11.762.705	3.356.279	23.038.187
Prior Period – 31 December 2022				
Total Assets	16.678.750	30.548.853	2.643.983	49.871.586
Total Liabilities	10.661.819	24.294.298	10.914.269	45.870.386
Net on-Balance Sheet Position	**6.016.931**	**6.254.555**	**(8.270.286)**	**4.001.200**
Net off-Balance Sheet Position	**(4.905.719)**	**(5.248.731)**	**8.278.611**	**(1.875.839)**
Financial Derivative Assets	16.951.651	28.684.745	10.021.810	55.658.206
Financial Derivative Liabilities	21.857.370	33.933.476	1.743.199	57.534.045
Non-cash Loans	4.188.405	6.745.299	1.262.492	12.196.196

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

IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

As of 31 December 2023 and 31 December 2022, assuming that TL depreciates by 10% against foreign currencies and all other variables are constant, the changes in the net profit and equity of the Group's foreign currency position without taking into account the tax effect as foreign exchange loss are given below:

	Current Period 31 December 2023	
	Income Statement	**Equity(*)**
USD	1.444	1.444
EURO	9.477	9.477
Other	(2.059)	(2.059)
Total	**8.862**	**8.862**

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

	Prior Period 31 December 2022	
	Income Statement	**Equity(*)**
USD	100.582	100.582
EURO	111.121	111.121
Other	833	833
Total	**212.536**	**212.536**

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

As of 31 December 2023 and 31 December 2022, as a result of 10% appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

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

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

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

Current Period – 31 December 2023	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Non – Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	10.928.572	-	-	-	-	12.370.191	23.298.763
Banks (*)	11.450.829	-	-	-	-	31.528	11.482.357
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	667.979	1.579.113	664.708	4.946.197	111.679	5.742	7.975.418
Interbank Money Market Placements (*)	37.341.131	-	-	-	-	-	37.341.131
Financial Assets at Fair Value Through Other Comprehensive Income	2.898.626	3.543.811	-	423.138	1.108.339	-	7.973.914
Loans	10.164.139	11.412.667	22.956.637	668.734	620.418	41.840	45.864.435
Financial Assets Measured at Amortized Cost (****)	-	-	-	1.092.757	2.332.339	-	3.425.096
Other Assets	1.966	-	131	42.354	-	2.878.989	2.923.440
Total Assets	**73.453.242**	**16.535.591**	**23.621.476**	**7.173.180**	**4.172.775**	**15.328.290**	**140.284.554**
Liabilities							
Bank Deposits	1.183.746	-	-	-	-	283.980	1.467.726
Other Deposits	35.743.015	22.536.412	6.438.211	31.331	-	42.207.443	106.956.412
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	3.121.506	3.121.506
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds Borrowed	5.678.682	2.348.258	1.210.261	-	-	49.908	9.287.109
Other Liabilities (**) (***)	507.770	797.775	1.537.788	4.509.486	819	12.098.163	19.451.801
Total Liabilities	**43.113.213**	**25.682.445**	**9.186.260**	**4.540.817**	**819**	**57.761.000**	**140.284.554**
Balance Sheet Long Position	30.340.029	-	14.435.216	2.632.363	4.171.956	-	51.579.564
Balance Sheet Short Position	-	(9.146.854)	-	-	-	(42.432.710)	(51.579.564)
Off-Balance Sheet Long Position	-	43.683	895.115	72.365	-	-	1.011.163
Off-Balance Sheet Short Position	(42.811)	-	-	-	-	-	(42.811)
Total Position	**30.297.218**	**(9.103.171)**	**15.330.331**	**2.704.728**	**4.171.956**	**(42.432.710)**	**968.352**

(*) Cash Assets, (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) Receivables from the CBRT, Banks and Money Markets items include the expected loss provision balance amounting to TL 9.982.

(**) Derivative Financial Assets are shown in "Financial Assets at Fair Value Through Profit/Loss" and Derivative Financial Liabilities are shown in "Other Liabilities".

(***) Equity is shown in the "Non-interest" column in "Other Liabilities".

(****) Financial Assets Valued at Amortized Cost Includes expected loss provisions balance amounting to TL 7.334.

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period – 31 December 2022	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Non – Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey(*)	8.870.488	-	-	-	-	3.328.930	12.199.418
Banks	73.813	-	-	-	-	121.372	195.185
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	258.163	1.023.943	774.563	2.949.303	125.885	5.742	5.137.599
Interbank Money Market Placements(*)	25.587.549	-	-	-	-	-	25.587.549
Financial Assets at Fair Value Through Other Comprehensive Income	1.753.893	1.628.198	145.257	-	165	-	3.527.513
Loans	9.292.994	12.664.336	13.214.799	2.130.972	43.690	61.728	37.408.519
Financial Assets Measured at Amortized Cost	-	-	-	1.090.925	1.331.201	-	2.422.126
Other Assets	1.157	-	119	18.255	-	1.716.809	1.736.340
Total Assets	**45.838.057**	**15.316.477**	**14.134.738**	**6.189.455**	**1.500.941**	**5.234.581**	**88.214.249**
Liabilities							
Bank Deposits	750.214	-	-	-	-	342.703	1.092.917
Other Deposits	27.810.429	12.462.894	1.583.871	19.734	-	28.302.519	70.179.447
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	1.476.567	1.476.567
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds Borrowed	2.636.840	-	-	-	-	132.949	2.769.789
Other Liabilities (**)(***)	230.317	739.942	676.582	3.250.213	10.808	7.787.667	12.695.529
Total Liabilities	**31.427.800**	**13.202.836**	**2.260.453**	**3.269.947**	**10.808**	**38.042.405**	**88.214.249**
Balance Sheet Long Position	14.410.257	2.113.641	11.874.285	2.919.508	1.490.133	-	32.807.824
Balance Sheet Short Position	-	-	-	-	-	(32.807.824)	(32.807.824)
Off-Balance Sheet Long Position	52.252	279.262	753.167	-	-	-	1.084.681
Off-Balance Sheet Short Position	-	-	-	(19.024)	-	-	(19.024)
Total Position	**14.462.509**	**2.392.903**	**12.627.452**	**2.900.484**	**1.490.133**	**(32.807.824)**	**1.065.657**

(*) Cash Equivalents, (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) Items Receivable from CBRT, Banks and Money Markets include the expected loss provision balance amounting to TL 9.511.

(**) Derivative Financial Assets are shown in "Financial Assets at Fair Value Through Profit/Loss" and Derivative Financial Liabilities are shown in "Other Liabilities".

(***) Equity is shown in the "Non-interest" column in "Other Liabilities".

(****) Financial assets measured at amortized cost include an expected loss provision balance of 9.699 TL.

b) Effective average interest rates for monetary financial instruments:

Current Period– 31 December 2023	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	42,18
Banks	-	5,20	-	43,83
Financial Assets at Fair Value Through Profit or Loss (Net)	4,76	7,39	-	35,38
Interbank Money Market Placements	-	5,18	-	42,87
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	42,61
Loans	9,20	9,91	-	49,60
Financial Assets Measured at Amortized Cost	-	-	-	12,78
Liabilities				
Bank Deposits	-	-	-	37,32
Other Deposits	0,51	1,71	-	33,44
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	10,31	8,15	-	-

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

b) Effective average interest rates for monetary financial instruments (Continued):

Prior Period - 31 December 2022	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	-	0,22	-	22,25
Financial Assets at Fair Value Through Profit or Loss (Net)	5,72	8,36	-	12,26
Interbank Money Market Placements	-	4,24	-	10,46
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	18,54
Loans	6,86	9,82	-	20,88
Financial Assets Measured at Amortized Cost	-	-	-	13,79
Liabilities				
Bank Deposits	-	4,48	-	6,40
Other Deposits	1,02	1,50	-	14,39
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	8,57	-	-	-

a. Interest rate risk on banking book:

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

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

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

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

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

V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

31 December 2023	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(426.778)	(2.63)%
2. TL	(400)	452.514	2.78%
3. EURO	200	(21.440)	(0.13)%
4. EURO	(200)	22.857	0.14%
5. USD	200	(1.710)	(0.01)%
6. USD	(200)	6.369	0.04%
Total (of Negative Shocks)		**481.740**	**2,96%**
Total (of Positive Shocks)		**(449.929)**	**(2,77)%**

31 December 2022	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(226.252)	(2,17)%
2. TL	(400)	229.128	2,20%
3. EURO	200	6.491	0,06%
4. EURO	(200)	(4.439)	(0,04)%
5. USD	200	8.346	0,08%
6. USD	(200)	(8.434)	(0,08)%
Total (of Negative Shocks)		**216.255**	**2,08%**
Total (of Positive Shocks)		**(211.415)**	**(2,03)%**

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

Position risk of equity securities in banking book:

As of 31 December 2023, the Bank has no financial assets that would cause a significant effect on its equity securities position (31 December 2022: None).

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

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

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

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:

The Parent Bank's liquidity and funding management adopts the principle that illiquid assets are funded with stable funding instruments and that the required funds are always available, and stable funding instruments consist of stable deposits and long-term borrowing instruments. In this context, liquidity and funding management is primarily based on the stability of the Parent Bank's deposit base and considers the total stable deposits as the basic measure. As the deposits of retail banking customers in the deposit base are more stable and cost-effective than other business lines, they are essential in terms of funding management. In addition, other medium and long-term debt instruments are also used in order to diversify and balance the funding base in terms of maturity, currency, fund source and cost, as deposits have a shorter average maturity compared to the assets.

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

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 Bank's total liabilities mainly consist of Turkish Lira, US Dollar, Euro and Gold currencies. Liabilities in Turkish lira generally consist of deposits, repo and equity, while liabilities in FX consist of foreign currency deposits and other foreign currency borrowing instruments.

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 early warning signals are tracked. Analyses and results of the liquidity risk are tracked in tactical ALCO meetings weekly and in ALCO-Market Risk Committees monthly.

General information on liquidity emergency and contingency plans

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

Due to the financial uncertainty that occurred with the pandemic, market variables and liquidity movements are monitored daily and reported to the top management. The Parent Bank's funding sources are substantially formed of customer deposits and the need for funding to be provided from interbank markets is at a minimum. Within the scope of the stress tests shared with the top management, deposit outflows and possible late payment, restructuring or deferral requests for loans subject to reporting in LCR, possible potential usage requests in revocable and irrevocable commitments given to customers were considered, without providing any new funds from the market. In this context, it has been measured for how long they could afford the cumulative cash outflows. As a result of the scenarios, there is no foreseeable risk for LCR or net liquid position.

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

a) Liquidity coverage rate:

The change in matters that impact liquidity coverage rate and units that are used for the calculation of the ratio:

The liquidity coverage ratio is calculated by dividing the high quality liquid assets of the Parent Bank to the net cash outflows that will occur in one month. Due to their high share in liquid assets and net cash outflows in terms of amount and their high rate of consideration, the important items that affect the liquidity coverage ratio result are required reserves held at the CBRT, reverse repo transactions, securities that are not subject to repo/collateral for the purpose of providing liquidity, corporate and bank deposits that can generate high cash outflows, borrowings due and receivables from banks. The liquidity coverage ratio may fluctuate periodically in the following situations;

- 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 funding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for funding consist 77% of total liabilities.

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

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

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

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

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

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

	Total value to which the consideration ratio is not applied(*)		Total value to which the consideration ratio is applied(*)	
Current Period – 31.12.2023	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			70.579.035	27.656.299
Cash Outflows				
Retail and customer deposits	79.940.694	33.026.725	7.830.647	3.302.673
Stable deposits	3.268.447	-	163.422	-
Less stable deposits	76.672.247	33.026.725	7.667.225	3.302.673
Unsecured funding other than retail and small business customers deposits	37.627.528	13.946.197	19.520.957	6.484.912
Operational deposits	-	-	-	-
Non-Operational deposits	32.938.051	13.758.713	14.831.480	6.297.428
Other unsecured funding	4.689.477	187.484	4.689.477	187.484
Secured funding			-	-
Other cash outflows	2.258.319	4.897.887	2.258.319	4.897.887
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.258.319	4.897.887	2.258.319	4.897.887
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	30.646.446	22.392.023	3.616.910	3.019.787
Other irrevocable or conditionally revocable commitments	-	-	-	-
TOTAL CASH OUTFLOWS			**33.226.833**	**17.705.259**
Cash Inflows				
Secured lending transactions	-	-	-	-
Unsecured lending transactions	16.947.280	3.937.472	15.085.230	2.796.384
Other cash inflows	217.625	7.681.147	217.626	7.681.147
TOTAL CASH INFLOWS	**17.164.905**	**11.618.619**	**15.302.856**	**10.477.531**
			Values to which the upper limit is applied	
TOTAL HQLA STOCK	-	-	**70.579.035**	**27.656.299**
TOTAL NET CASH OUTFLOWS	-	-	**17.923.977**	**7.227.728**
LIQUIDITY COVERAGE RATIO (%)	-	-	**393,77**	**382,64**

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

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

	Current Period – 31.12.2023	
	TL+FC	**FC**
Highest (%)	**857,02**	**644,79**
Date	3.11.2023	27.12.2023
Lowest (%)	**248,71**	**228,97**
Date	10.11.2023	10.10.2023
Average (%)	**393,77**	**382,64**

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

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

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
Prior Period – 31.12.2022	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			36.165.359	28.524.415
Cash Outflows				
Retail and customer deposits	48.202.143	32.753.690	4.676.963	3.275.369
Stable deposits	2.865.024	-	143.251	-
Less stable deposits	45.337.119	32.753.690	4.533.712	3.275.369
Unsecured funding other than retail and small business customers deposits	26.342.858	11.353.290	12.059.896	4.855.227
Operational deposits	-	-	-	-
Non-Operational deposits	25.275.202	11.221.118	10.992.240	4.723.055
Other unsecured funding	1.067.656	132.172	1.067.656	132.172
Secured funding	-	-	-	-
Other cash outflows	2.193.549	7.009.968	2.193.549	7.009.968
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.193.549	7.009.968	2.193.549	7.009.968
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	19.730.200	13.450.929	2.557.809	2.092.406
Other irrevocable or conditionally revocable commitments	-	-	-	-
TOTAL CASH OUTFLOWS			**21.488.217**	**17.232.970**
Cash Inflows				
Secured lending transactions	-	-	-	-
Unsecured lending transactions	11.210.506	4.692.925	8.537.596	3.271.957
Other cash inflows	233.311	5.265.862	233.311	5.265.862
TOTAL CASH INFLOWS	**11.443.817**	**9.958.787**	**8.770.907**	**8.537.819**
			Values to which the upper limit is applied	
TOTAL HQLA STOCK	-	-	**36.165.359**	**28.524.415**
TOTAL NET CASH OUTFLOWS	-	-	**12.717.310**	**8.695.151**
LIQUIDITY COVERAGE RATIO (%)	-	-	**284,38**	**328,05**

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

The lowest, highest and average liquidity coverage ratios calculated by taking the simple average for the last three months of 2022 are given in the table below.

	Prior Period - 31.12.2022	
	TL+FC	**FC**
Highest (%)	383,95	628,38
Date	19.12.2022	20.12.2022
Lowest (%)	219,84	241,98
Date	01.10.2022	01.10.2022
Average (%)	**284,38**	**328,05**

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

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

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

Current Period – 31 December 2023	**Demand**	**Up to 1 Month**	**1 - 3 Months**	**3 - 12 Months**	**1 - 5 Years**	**5 Years and Over**	**Unallocated**	**Total**
Assets								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT(****)	2.962.922	20.335.841	-	-	-	-	-	23.298.763
Banks (****)	31.528	11.450.829	-	-	-	-	-	11.482.357
Financial Assets at Fair Value through Profit or Loss (Net) (***)	-	436.020	579.547	1.041.788	5.746.146	166.175	5.742	7.975.418
Interbank Money Market Placements(****)	-	37.341.131	-	-	-	-	-	37.341.131
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	1.317.531	5.180.745	1.475.638	-	7.973.914
Loans	-	9.781.085	6.132.829	18.204.527	8.735.961	2.968.193	41.840	45.864.435
Financial Assets at Fair Value Through Amortized Cost(*****)	-	-	-	-	1.092.757	2.332.339	-	3.425.096
Other Assets (*)	-	1.966	-	131	42.354	-	2.878.989	2.923.440
Total Assets	**2.994.450**	**79.346.872**	**6.712.376**	**20.563.977**	**20.797.963**	**6.942.345**	**2.926.571**	**140.284.554**
Liabilities								
Bank Deposits	283.980	1.183.746	-	-	-	-	-	1.467.726
Other Deposits	42.207.443	35.743.015	22.536.412	6.438.211	31.331	-	-	106.956.412
Money Market Borrowings	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	3.121.506	3.121.506
Marketable Securities Issued (Net)	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	49.908	-	-	4.899.806	-	4.337.395	-	9.287.109
Other Liabilities (**) (***)	-	391.831	193.193	1.662.459	5.151.600	35.874	12.016.844	19.451.801
Total Liabilities	**42.541.331**	**37.318.592**	**22.729.605**	**13.000.476**	**5.182.931**	**4.373.269**	**15.138.350**	**140.284.554**
Net Liquidity Excess / (Gap)	**(39.546.881)**	**42.028.280**	**(16.017.229)**	**7.563.501**	**15.615.032**	**2.569.076**	**(12.211.779)**	**-**
Net Off Balance Sheet Position	**-**	**(106.537)**	**(208.781)**	**1.089.860**	**193.810**	**-**	**-**	**968.352**
Derivative Financial Assets	-	72.517.573	35.338.964	40.489.492	28.954.427	1.164.825	-	178.465.281
Derivative Financial Liabilities	-	72.624.110	35.547.745	39.399.632	28.760.617	1.164.825	-	177.496.929
Non-cash Loans	21.434.346	1.112.802	715.673	1.651.389	2.365	-	-	24.916.575
Prior Period – 31 December 2022								
Total Assets	3.450.302	44.453.508	7.328.935	13.093.441	13.995.712	4.108.072	1.784.279	88.214.249
Total Liabilities	28.778.171	28.728.860	12.691.243	2.318.359	3.771.362	2.697.972	9.228.282	88.214.249
Net Liquidity Excess / (Gap)	**(25.327.869)**	**15.724.648**	**(5.362.308)**	**10.775.082**	**10.224.350**	**1.410.100**	**(7.444.003)**	**-**
Net Off-Balance Sheet Position	**-**	**17.811**	**156.449**	**753.167**	**138.230**	**-**	**-**	**1.065.657**
Derivative Financial Assets	-	35.969.039	20.129.187	12.991.465	21.103.434	1.199.081	-	91.392.206
Derivative Financial Liabilities	-	35.951.228	19.972.738	12.238.298	20.965.204	1.199.081	-	90.326.549
Non-cash Loans	12.730.115	192.582	326.346	563.963	9.517	-	-	13.822.523

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments, subsidiaries, stationary, 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 9.982.

(*****) Financial Assets Valued at Amortized Cost include expected loss provisions balance amounting to TL 7.334.

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

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

c) Breakdown of liabilities according to their remaining contractual maturities:

Current Period – 31 December 2023	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Bank Deposits	283.980	1.184.096	-	-	-	-	1.468.076
Other Deposits	42.207.443	16.124.406	9.410.474	40.581.889	639.113	-	108.963.325
Funds From Interbank Money Market	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Borrowings	49.908	-	-	4.945.592	-	4.374.394	9.369.894
Total	**42.541.331**	**17.308.502**	**9.410.474**	**45.527.481**	**639.113**	**4.374.394**	**119.801.295**

Prior Period - 31 December 2022	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Bank Deposits	342.703	750.225	-	-	-	-	1.092.928
Other Deposits	28.302.518	12.320.596	11.350.156	17.666.250	898.007	-	70.537.527
Funds From Interbank Money Market	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Borrowings	132.949	-	-	-	-	2.655.252	2.788.201
Total	**28.778.170**	**13.070.821**	**11.350.156**	**17.666.250**	**898.007**	**2.655.252**	**74.418.656**

d) Information on securitisation position:

None.

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

Current Period – 31 December 2023	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Foreign exchange derivatives:						
- Inflow	51.269.730	31.830.309	32.392.752	16.957.244	-	132.450.035
- Outflow	51.407.725	32.042.914	31.302.892	16.763.434	-	131.516.965
Interest rate derivatives:						
- Inflow	85.888	30.486	285.316	251.208	54.496	707.394
- Outflow	16.432	53.254	129.529	271.647	35.055	505.917
Total Inflow	**51.355.618**	**31.860.795**	**32.678.068**	**17.208.452**	**54.496**	**133.157.429**
Total Outflow	**51.424.157**	**32.096.168**	**31.432.421**	**17.035.081**	**35.055**	**132.022.882**

Prior Period - 31 December 2022	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Foreign exchange derivatives:						
- Inflow	33.045.349	18.330.689	10.121.201	9.666.657	-	71.163.896
- Outflow	33.028.527	18.186.555	9.368.034	9.528.427	-	70.111.543
Interest rate derivatives:						
- Inflow	2.061	24.260	9.321	320.197	65.253	421.092
- Outflow	23.460	30.581	128.544	255.980	50.324	488.889
Total Inflow	**33.047.410**	**18.354.949**	**10.130.522**	**9.986.854**	**65.253**	**71.584.988**
Total Outflow	**33.051.987**	**18.217.136**	**9.496.578**	**9.784.407**	**50.324**	**70.600.432**

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

VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

The table regarding the leverage ratio calculated in accordance with the "Regulation on the Measurement and Evaluation of the Leverage Level of Banks" published in the Official Gazette dated 5 November 2013 and numbered 28812 is given below.

		Current Period 31.12.2023 (*)	Prior Period 31.12.2022 (*)
	Assets On the Balance Sheet		
1	Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	112.164.286	66.535.915
2	(Assets deducted from core capital)	(426.618)	(311.936)
3	Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	111.737.668	66.223.979
	Derivative Financial Instruments and Loan Derivatives		
4	Renewal cost of derivative financial instruments and loan derivatives	1.131.060	1.303.688
5	Potential credit risk amount of derivative financial instruments and loan derivatives	1.068.353	356.844
6	Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	2.199.413	1.660.532
	Financing Transactions with Securities or Goods Warranties		
7	Risk amount of financial transactions (excluding those in the balance sheet)		
	Risk amount arising from intermediated transactions	852.709	664.804
8	Total risk amount of financing transactions with securities or goods warranties	-	-
9	(Sum of lines 7 and 8)	852.709	664.804
	Off-Balance Sheet Commitments		
10	Gross nominal amount of the off-the-balance sheet transactions	54.522.520	40.740.964
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)	54.522.520	40.740.964
	Capital and Total Risk		
13	Core capital	11.380.030	7.269.381
14	Total risk amount (sum of lines 3,6,9 and 12)	169.312.310	109.290.279
	Transition process unapplied leverage ratio		
15	Transition process unapplied leverage ratio (%)	6,72	6,65

(*) Table represents three-month average amounts.

Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS:

	Current Period 31.12.2023 (**)	Prior Period 31.12.2022 (**)
Total assets in the consolidated financial statements prepared in accordance with TAS (*)	144.524.357	92.142.348
Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	2.687.656	1.730.243
Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(1.068.353)	(356.844)
Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	30.821.685	26.065.093
Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	-	-
Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	-	-
Total Risk	**169.312.310**	**109.290.279**

(*) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.
(**) Three months average values in the related periods.

IX. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 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 31 December 2023:

- 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

1. The Parent Bank's risk management approach:

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

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

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

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

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

Providing instructions and solving problems concerning risk policies and risk management,
- Evaluating the main potential and current risks in the changing business atmosphere and political environment,
- Tracking and checking the management of important risks,
- Ensuring an appropriate risk culture is in place.

The Asset-Liability Committee's main responsibilities are;

Providing continuous guidance to set up a perpetually developing structure in line with estimated risk parameters and the Parent Bank's performance objectives,

- Monitoring asset-liability and capital management risk and determining its effects,
- Providing a forum where matters concerning asset-liability management can be discussed,
- Providing opportunities for teamwork between various lines of work,
- Finalising inter-unit matters such as transfer pricing and effective distribution of resources,
- Reviewing fund sources and fund utilisation areas,
- Monitoring capital adequacy, ensuring capital management within legal and internal limits, and reviewing the Internal Capital Adequacy Evaluation Process and documents,
- Determining the most likely scenarios in terms of asset-liability planning by monitoring external banking factors and reviewing emergency plans, and
- Evaluating alternate scenarios including interest, pricing, and portfolio structure, and reviewing asset-liability and term structure distribution.

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

These committees are supported by sub-committees such as the Tactical Asset-Liability Committee, the Stress Test Observation Committee, the Model Observation Committee, the Financial Crimes Risk Management Committee, the Valuation and Hedging Committee, the Country-Specific Response Committee, and the HSBC Global Markets Business Control Committee.

The Risk Management Unit is made up of a unit manager, working independently of operational units, and adequate staff. Risk Management Unit works connected with Audit Committee.

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

Stress Tests

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

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Explanations on Risk Management and Risk Weighted Amount:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period 31 December 2023	**Prior Period 31 December 2022**	**Current Period 31 December 2023**
Credit risk (excluding counterparty credit risk)	45.870.121	37.537.681	3.669.610
Standardised approach	45.870.121	37.537.681	3.669.610
Internal rating-based approach	-	-	-
Counterparty credit risk	2.547.542	2.062.518	203.803
Standardised approach for counterparty credit risk	2.547.542	2.062.518	203.803
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	9.688.250	4.110.050	775.060
Standardised approach	9.688.250	4.110.050	775.060
Internal model approaches	-	-	-
Operational risk	7.774.467	4.698.176	621.957
Basic indicator approach	7.774.467	4.698.176	621.957
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	**65.880.380**	**48.408.425**	**5.270.430**

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

a) Linkages between financial statements and risk amounts

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

		Carrying values of items in accordance with TAS			
Current Period 31 December 2023	**Carrying values in financial statements prepared as per TAS (*)**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets					
Cash and balances and the CBRT	23.298.763	23.298.763	-	-	-
Banks	11.482.357	11.482.357	-	-	-
Interbank money market placements	37.341.131	-	37.341.131	37.341.131	-
Financial assets at fair value through profit or loss	701.557	-	-	701.557	-
Financial assets at fair value through other comprehensive income	7.973.914	7.973.914	-	-	-
Financial assets measured at amortised cost (net)	3.425.096	3.425.096	-	-	-
Derivative financial assets	7.273.861	-	7.273.861	7.273.861	-
Loans (Net)	45.864.435	45.859.894	-	-	4.541
Assets held for sale and assets of discontinued operations (net)	-	-	-	-	-
Subsidiaries(net)	-	-	-	-	-
Associates (net)	-	-	-	-	-
Joint ventures (net)	-	-	-	-	-
Tangible assets (net)	413.988	413.988	-	-	40.010
Intangible assets (net)	424.681	-	-	-	424.681
Investment property (net)	-	-	-	-	-
Tax assets	340.297	-	-	-	-
Deferred tax assets	489.382	489.382	-	-	-
Other assets	1.255.092	573.654	-	-	-
Total Assets	**140.284.554**	**93.517.048**	**44.614.992**	**45.316.549**	**469.232**
Liabilities					
Deposits	108.424.138	-	-	-	108.424.138
Funds borrowed	4.949.714	-	-	-	4.949.714
Interbank money markets	-	-	-	-	-
Marketable securities issued	-	-	-	-	-
Funds		-	-	-	-
Financial liabilities at fair value through profit or loss		-	-	-	-
Derivative financial liabilities	6.155.553	-	6.155.553	6.155.553	-
Factoring payables		-	-	-	-
Lease payables	119.532	-	-	-	119.532
Provisions	1.041.059	-	-	-	1.041.059
Tax liability	329.991	-	-	-	-
Deferred tax liabilities		-	-	-	-
Liabilities held for sale and liabilities of discontinued operations (net)		-	-	-	-
Subordinated debt	4.337.395	-	-	-	4.337.395
Other liabilities	3.064.938	-	-	-	3.064.938
Shareholders' equity	11.862.234	-	-	-	11.862.234
Total Liabilities	**140.284.554**	**-**	**6.155.553**	**6.155.553**	**133.799.010**

(*) Amounts represent consolidated financial statement of the Bank.

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

		Carrying values of items in accordance with TAS			
Prior Period 31 December 2022	**Carrying values in financial statements prepared as per TAS (*)**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to market risk**	**Not subject to capital requirements or subject to deduction from capital**
Assets					
Cash and balances and the CBRT	12.199.418	12.199.418	-	-	-
Banks	195.185	195.185	-	-	-
Interbank Money market placements	25.587.549	-	25.587.549	25.587.549	-
Financial assets at fair value through profit or loss	540.324	-	-	540.324	-
Financial assets at fair value through other comprehensive income	3.527.513	3.527.513	-	-	-
Financial assets measured at amortised cost (net)	2.422.126	2.422.126	-	-	-
Derivative financial assets	4.597.275	-	4.597.275	4.597.275	-
Loans (Net)	37.408.519	37.395.632	-	-	12.887
Assets held for sale and assets of discontinued operations (net)	-	-	-	-	-
Subsidiaries(net)	-	-	-	-	-
Associates (net)	-	-	-	-	-
Joint ventures (net)	-	-	-	-	-
Tangible assets (net)	236.710	236.710	-	-	24.799
Intangible assets (net)	320.385	-	-	-	302.183
Investment property (net)	-	-	-	-	-
Tax assets	-	-	-	-	-
Deferred tax assets	423.306	423.306	-	-	-
Other assets	755.939	362.919	-	-	-
Total Assets	**88.214.249**	**56.762.809**	**30.184.824**	**30.725.148**	**339.869**
Liabilities					
Deposits	71.272.364	-	-	-	71.272.364
Funds borrowed	132.825	-	-	-	132.825
Interbank money markets	-	-	-	-	-
Marketable securities issued	-	-	-	-	-
Funds	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Derivative financial liabilities	3.677.458	-	3.677.458	3.677.458	-
Factoring payables	-	-	-	-	-
Lease payables	92.776	-	-	-	92.776
Provisions	682.826	-	-	-	682.826
Tax liability	360.824	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Liabilities held for sale and liabilities of discontinued operations (net)	-	-	-	-	-
Subordinated debt	2.636.964	-	-	-	2.636.964
Other liabilities	1.789.443	-	-	-	1.789.443
Shareholders' equity	7.568.769	-	-	-	7.568.769
Total Liabilities	**88.214.249**	**-**	**3.677.458**	**3.677.458**	**84.175.967**

(*) Represents the consolidated financial statements of the Bank.

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period 31 December 2023	**Total**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to market risk**
Asset carrying value amount under scope of regulatory consolidation	**140.284.554**	**93.517.048**	**44.614.992**	**45.316.549**
Liabilities carrying value amount under regulatory scope of consolidation	6.155.553	**-**	**6.155.553**	**6.155.553**
Total net amount under regulatory scope of consolidation	**146.440.107**	**93.517.048**	**50.770.545**	**51.472.102**
Off-balance sheet amounts	-	31.055.374	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	297.975	-	-
Differences due to applications of BRSA	-	(35.276.399)	(47.013.032)	-
Differences due to risk mitigation	-	(791.010)	-	-
Credit valuation adjustment	-	-	766.428	-
Risk Amounts	**146.440.107**	**88.802.988**	**4.523.941**	**51.472.102**

Prior Period 31 December 2022	**Total**	**Subject to credit risk**	**Subject to counterparty credit risk**	**Subject to market risk**
Asset carrying value amount under scope of regulatory consolidation	**88.214.249**	**56.762.809**	**30.184.824**	**30.725.148**
Liabilities carrying value amount under regulatory scope of consolidation	3.677.458	-	3.677.458	3.677.458
Total net amount under regulatory scope of consolidation	**91.891.707**	**56.762.809**	**33.862.282**	**34.402.606**
Off-balance sheet amounts	-	19.600.664	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	1.894.373	-	-
Differences due to applications of BRSA	-	(20.832.332)	(31.356.085)	-
Differences due to risk mitigation	-	(1.090.219)	-	-
Credit valuation adjustment	-	-	497.115	
Risk Amounts	**91.891.707**	**56.335.295**	**3.003.312**	**34.402.606**

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

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

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

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

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

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

Financial instruments accounted for at fair value and which can be traded in an active market are valued based on market price. The accuracy of the market price used is periodically tracked. Fair valuation of financial instruments for which there is no active market is carried out in line with TFRS 9. Derivative financial instruments are evaluated using a reduced cash flow model using market data. When valuing some financial instruments, valuations made by third parties and generally accepted valuation models are also used. The accuracy and independence of data used in valuations are periodically checked. In addition, detailed control processes exist, which enable the analysis of current market values of financial instruments and the profit/loss effect of daily transactions. Generally, systems are used and manual adjustments are avoided to ensure estimations related to valuations are prudent and reliable. In addition to existing controls, personnel carrying out purchase and sale transactions do not have any effect on valuation through market value.

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

c) General Information on Credit Risk

1. General qualitative information about credit risk

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

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

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

2. Credit Quality of Assets

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

	The gross amount evaluated in accordance with TAS in the financial statements prepared according to legal consolidation			
Current Period 31 December 2023	**Defaulted Exposures**	**Non-defaulted Exposures**	**Provisions / Amortisation and Impairments**	**Net Values**
Loans (*)	130.954	47.436.469	89.114	47.478.309
Debt Securities	-	12.122.577	22.010	12.100.567
Off-balance sheet receivables	3.742	66.646.084	3.739	66.646.087
Total	**134.696**	**126.205.130**	**114.863**	**126.224.963**

(*) Includes factoring receivables amounting to TL 272.395

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Credit Quality of Assets (Continued):

	The gross amount evaluated in accordance with TAS in the financial statements prepared according to legal consolidation			
Prior Period 31 December 2022	**Defaulted Exposures**	**Defaulted Exposures**	**Provisions / Amortisation and Impairments**	**Net Values**
Loans (*)	167.551	39.231.464	105.823	39.293.192
Debt Securities	-	6.502.710	12.747	6.489.963
Off-balance sheet receivables	5.611	25.482.793	1.671	25.486.733
Total	**173.162**	**71.216.967**	**120.241**	**71.269.888**

(*) Includes factoring receivables amounting to TL 364.532.

3. Changes in Stock of Defaulted Loans and Debt Securities

		Current Period 31 December 2023	Prior Period 31 December 2022
I.	**Defaulted loans and debt securities at end of the previous reporting period**	**173.162**	**354.228**
II.	Loans and debt securities that have defaulted since the last reporting period	33.273	44.639
III.	Returned to non-defaulted status	-	-
IV.	Amounts written off from assets	27.270	157.486
V.	Other Changes (*)	44.469	68.219
VI.	**Defaulted loans and debt securities at end of the reporting period end (I+II-III-IV±V)**	**134.696**	**173.162**

(*) Includes current period collections.

4. Additional explanations on credit quality of assets

- For which recovery of principal or interest or both delays for more than 90 days from their terms or due dates
- Which have limited means for total recovery because debtors' equity or guarantees extended by them are found inadequate to cover payment of debts on respective terms and are likely to lead to losses in case any such problems observed are not solved or,
- For which debtors have suffered deterioration in their creditworthiness and credits have suffered weakness consequently or,
- For which it is believed that recovery by banks of principal or interest or both would delay for more than 90 days from their terms or due dates due to reasons such as problems encountered by debtors over operating capital financing or additional liquidity creation

Loans and receivables are classified as 'non performing loans' and are transferred to non-performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Parent Bank. There is no difference between the definitions of 'overdue' and 'provisions made' in the Parent Bank.

While determining the provision amount, the relevant guarantees are taken into consideration on the basis of groups, in accordance with the provisions of the Provisions Regulation. In accordance with the regulation; in the event that failure to meet payment obligations towards Parent Bank's stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by the Parent Bank.

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

i. Breakdown by geographical area:

	Current Period 31 December 2023	Prior Period 31 December 2022
Domestic	47.402.927	39.038.623
European Union Countries	1.796	160.582
USA, Canada	78	481
OECD Countries (*)	128	2.994
Off-Shore Banking Regions	676	505
Other	30.864	28.279
Total(**)	**47.436.469**	**39.231.464**

(*) OECD countries other than EU Countries, USA and Canada
(**) Includes factoring receivables amounting to TL 272.395 (31 December 2022: TL 364.532).

ii. Breakdown by sector:

	Current Period 31 December 2023	Prior Period 31 December 2022
Agriculture	**-**	**172.249**
Farming and Raising Livestock	-	172.249
Forestry	-	-
Fishery	-	-
Manufacturing	**27.983.882**	**23.382.785**
Mining and Quarrying	787.872	346.589
Production	24.084.378	19.969.800
Electricity, Gas and Water	3.111.632	3.066.396
Construction	**1.970.229**	**1.609.240**
Services	**13.911.367**	**9.705.634**
Wholesale and Retail Trade	3.638.962	2.893.859
Hotel and Restaurant Services	874.654	584.029
Transportation and Communication	1.561.663	2.252.368
Financial Institutions	3.902.485	1.776.263
Real Estate and Rental Services	3.881.813	2.122.477
Self-Employment Services	51.790	76.638
Educational Services	-	-
Health and Social Services	-	-
Other	**3.570.991**	**4.361.556**
Total (*)	**47.436.469**	**39.231.464**

(*) Includes factoring receivables amounting to TL 272.395 (31 December 2022: TL 364.532).

5. Remaining maturity distribution of receivables:

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

6. Provisions booked for receivables based on sector

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

7. Provisions booked for receivables based on geographical area

Non-performing loans and provision amounts are mainly domestic. Specific provisions amounting to TL 130.243 are booked for domestic non-performing loan risk amount of TL 88.558.

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

a) Aging analysis of accounting overdue exposures:

	31 December 2023	31 December 2022
30-60 days overdue exposures	18.959	20.526
60-90 days overdue exposures	6.979	6.703
Total	**25.938**	**27.229**

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

	31 December 2023	31 December 2022
Loans Structured from Standard Loans and Other Receivables	-	-
Loans Composed of Follow-on Loans and Other Receivables	2.773.403	4.888.942
Loans Restructured from Non-Performing Loans	31.812	47.948

8. Qualitative disclosure on credit risk mitigation techniques

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

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

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

9. Credit Risk Mitigation Techniques- Overview

Current Period 31 December 2023	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	46.216.373	1.261.936	1.116.689	-	-	-	-
Debt Securities	12.100.567	-	-	-	-	-	-
Total	**58.316.940**	**1.261.936**	**1.116.689**	-	-	-	-
Defaulted	72.778	58.176	53.109	1.144	915	-	-

Prior Period 31 December 2022	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	36.808.270	2.484.922	2.468.275	-	-	-	-
Debt Securities	6.489.963	-	-	-	-	-	-
Total	**43.298.233**	**2.484.922**	**2.468.275**	-	-	-	-
Defaulted	97.620	69.931	78.283	1.300	1.040	-	-

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

d. Credit risk under standardised approach

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

Among the risk classes specified in the sixth article of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy, the entire risk class of receivables from Central Governments and the Central Bank, and the rating ratings given by Fitch Ratings International Ratings Agency for receivables whose counterparties are located abroad are used. For Central Government and Central Banks that are not rated by Fitch Ratings International Ratings, the risk weight is considered unranked. Receivables from domestic residents are evaluated as ungraded. The risk weight of the items not included in the trading accounts is determined by considering the credit rating of the issuer. The matching of the ratings given by Fitch Ratings International Rating Agency with risk weights according to credit quality level and risk classes is given in the table below.

Fitch Ratings Credit Quality Scale

Long-term Credit Ratings
1 Aaa – Aa-
2 A+ - A-
3 BBB+ - BBB-
4 BB+ - BB-
5 B+ – B-
6 CCC and below

Short-term Credit Ratings
1 F1+ - F1
2 F2
3 F3
4 B - C

HSBC Bank A.Ş.'s Financial Power Rating

According to Moody's Credit Rating Institution's evaluations, HSBC Bank A.Ş.'s rating as of 31 December 2023 is as follows.

Definitions	Rating (*)
Baseline Credit Assessment	caa1
Outlook	Positive
Long-term foreign currency deposit rating	B2
Long-term TL deposit rating	B1
Short-term foreign currency deposit rating	NP
Short-term TL deposit rating	NP
Long-term national scale TL deposit	Aa2.tr

(*) This statement refers to the assessment made by Moody's Credit Rating Agency in January 2024.

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period 31 December 2023	Exposures before CCF and CRM		Exposures post CCF and CRM		Risk Weighted Amount and Risk Weighted Amount density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amount	Risk Weighted Amount density
Exposures to central governments or central banks	27.079.847	414.133	27.079.847	366.066	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	14	216	14	36	50	100%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	15.786.539	3.193.401	15.786.544	2.420.174	4.136.225	23%
Exposures to corporates	27.880.586	16.434.043	27.464.241	10.337.569	38.688.533	102%
Retail exposures	3.618.517	5.796.199	3.540.255	533.720	3.631.714	89%
Exposures secured by residential property	13.651	8	13.652	2	4.779	35%
Exposures secured by commercial real estate	1.476.293	140.265	1.476.293	117.360	811.122	51%
Past-due loans	85.009	-	85.009	-	100.104	118%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
Other assets	4.091.145	11.180	4.094.967	11.180	1.045.136	25%
Investment in equities	-	-	-	-	-	-
Total	**80.031.601**	**25.989.445**	**79.540.822**	**13.786.107**	**48.417.663**	**52%**

Prior Period 31 December 2022	Exposures before CCF and CRM		Exposures post CCF and CRM		Risk Weighted Amount and Risk Weighted Amount density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amount	Risk Weighted Amount density
Exposures to central governments or central banks	13.850.173	1.042.520	13.850.174	554.108	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	9	202	9	35	44	100%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	2.490.313	2.632.812	2.490.313	1.773.793	1.568.266	37%
Exposures to corporates	26.424.082	10.487.224	26.007.315	6.291.954	32.866.761	102%
Retail exposures	4.356.940	4.542.587	3.847.886	333.884	3.712.804	89%
Exposures secured by residential property	24.507	176	24.507	72	8.603	35%
Exposures secured by commercial real estate	1.262.569	56.213	1.262.569	56.213	747.015	68%
Past-due loans	69.136	-	69.136	-	66.590	96%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
Other assets	2.755.101	19.368	2.757.271	19.368	630.116	23%
Investment in equities	-	-	-	-	-	-
Total	**51.232.830**	**18.781.102**	**50.309.180**	**9.029.427**	**39.600.199**	**67%**

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period
31 December 2023

Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weight	Total credit risk exposure amount (After CCF and CRM)
Exposures to central governments or central banks	27.445.913	-	-	-	-	-	-	-	-	-	27.445.913
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	50	-	-	-	50
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	17.479.911	-	173.129	-	553.678	-	-	-	18.206.718
Exposures to corporates	-	-	-	-	487.005	-	36.177.153	14.853	1.122.799	-	37.801.810
Retail exposures	-	-	-	-	-	3.187.784	176.821	709.370	-	-	4.073.975
Exposures secured by residential property	-	-	-	13.654	-	-	-	-	-	-	13.654
Exposures secured by commercial real estate	-	-	-	-	1.565.063	-	28.590	-	-	-	1.593.653
Past-due loans	-	-	-	-	6.738	-	41.342	36.929	-	-	85.009
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	3.061.011	-	-	-	-	-	1.045.136	-	-	-	4.106.147
Total	**30.506.924**	**-**	**17.479.911**	**13.654**	**2.231.935**	**3.187.784**	**38.022.770**	**761.152**	**1.122.799**	**-**	**93.326.929**

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

Prior Period
31 December 2022

Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weight	Total credit risk exposure amount (After CCF and CRM)
Exposures to central governments or central banks	14.404.282	-	-	-	-	-	-	-	-	-	14.404.282
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	44	-	-	-	44
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	2.404.747	-	1.544.085	-	315.274	-	-	-	4.264.106
Exposures to corporates	-	-	-	-	1.851.569	-	28.954.423	-	1.493.277	-	32.299.269
Retail exposures	-	-	-	-	-	2.595.581	1.226.333	359.856	-	-	4.181.770
Exposures secured by residential property	-	-	-	24.579	-	-	-	-	-	-	24.579
Exposures secured by commercial real estate	-	-	-	-	1.143.534	-	175.248	-	-	-	1.318.782
Past-due loans	-	-	-	-	11.596	-	51.036	6.504	-	-	69.136
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	2.146.523	-	-	-	-	-	630.116	-	-	-	2.776.639
Total	**16.550.805**	**-**	**2.404.747**	**24.579**	**4.550.784**	**2.595.581**	**31.352.474**	**366.360**	**1.493.277**	**-**	**59.338.607**

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

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

e) Explanations on counterparty credit risk

1. Qualitative disclosure on counterparty credit risk

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

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

Current Period 31 December 2023	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardised Approach - CCR (For Derivatives)	1.243.277	1.616.124		1,4	2.859.401	1.607.904
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					846.901	169.380
Value at Risk for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total						**1.777.284**

Prior Period 31 December 2022	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardised Approach - CCR (For Derivatives)	1.018.049	954.176		1,4	1.972.225	1.456.938
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					531.419	106.284
Value at Risk for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total						**1.563.222**

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

3. Credit valuation adjustment (CVA) capital charge

Current Period 31 December 2023	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk component (Including the 3* multiplier)		-
(ii) Stressed Value at Risk component (Including the 3* multiplier)		-
All portfolios subject to the Standardised CVA capital charge	3.706.302	766.428
Total subject to the CVA capital charge	**3.706.302**	**766.428**

Prior Period 31 December 2022	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk component (Including the 3* multiplier)		-
(ii) Stressed Value at Risk component (Including the 3* multiplier)		-
All portfolios subject to the Standardised CVA capital charge	2.503.644	497.115
Total subject to the CVA capital charge	**2.503.644**	**339.184 497.115**

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

Current Period - 31 December 2023 Risk weights / Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Exposures to central governments and central banks	-	-	-	-	-	-	-	-	-
Exposures to regional or local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	379.704	76.537	-	-	-	-	456.241
Exposures to corporates	-	-	-	-	-	1.318.374	-	-	1.318.374
Retail exposures	-	-	-	-	-	2.669	-	-	2.669
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Securitization positions in banking accounts	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**379.704**	**76.537**	**-**	**1.321.043**	**-**	**-**	**1.777.284**

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

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Prior Period - 31 December 2022 **Risk weights / Risk classes**	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Other**	**Total Credit Exposures(*)**
Exposures to central governments and central banks	-	-	-	-	-	-	-	-	-
Exposures to regional or local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	225.538	21.816	-	-	-	-	247.354
Exposures to corporates	-	-	-	-	-	1.271.475	-	-	1.271.475
Retail exposures	-	-	-	-	-	44.393	-	-	44.393
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Securitization positions in banking accounts	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**225.538**	**21.816**	**-**	**1.315.868**	**-**	**-**	**1.563.222**

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

5. Risks to the Central Counterparty ("CCP")

	Current Period-31 December 2023		**Prior Period-31 December 2022**	
	Risk Amount After CRM	**Risk Weighted Amounts**	**Risk Amount After CRM**	**Risk Weighted Amounts**
1 Total risks arising from transactions to qualified CCP	**-**	**3.830**	**-**	**2.181**
2 Regarding risks arising from transactions in CCP (excluding initial margin and guarantee fund amount)	191.517	3.830	109.098	2.181
3 (i) OTC derivative financial instruments	1.256	14	848	17
4 (ii) Other derivative financial instruments	13	-	48.106	962
5 (iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing securities or commodities	190.248	3.816	60.144	1.202
6 (iv) Netting groups to which cross product netting is applied	-	-	-	-
7 Reserved initial margin	-	-	-	-
8 Unreserved initial margin	-	-	-	-
9 Paid guarantee fund amount	-	-	-	-
10 Unpaid guarantee fund commitment	-	-	-	-
11 Total risks arising from transactions with non-qualified CCPs	**-**	**-**	**-**	**-**
12 Regarding risks arising from transactions in CCP (excluding initial margin and guarantee fund amount)	-	-	-	-
13 (i) OTC derivative financial instruments				
14 (ii) Other derivative financial instruments	-	-	-	-
15 (iii) Repo-reverse repo transactions, overdraft transactions, and lending or borrowing securities or commodities	-	-	-	-
16 (iv) Netting groups to which cross product netting is applied	-	-	-	-
17 Reserved initial margin	-	-	-	-
18 Unreserved initial margin	-	-	-	-
19 Paid guarantee fund amount	-	-	-	-
20 Unpaid guarantee fund commitment	-	-	-	-

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

6. Composition of collateral for CCR exposure.

Current Period 31 December 2023	Collateral used in derivative transactions				Collateral used in other transactions	
	Collateral Taken		Collateral Given		Collateral Received	Collateral Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	1.048.198	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	23.002.572	-
Other sovereign debt	-	-	-	-	9.344.636	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**1.048.198**	**-**	**-**	**-**	**32.347.208**	**-**

Prior Period 31 December 2022	Collateral used in derivative transactions				Collateral used in other transactions	
	Collateral Taken		Collateral Given		Collateral Received	Collateral Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	832.024	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	12.523.184	-
Other sovereign debt	-	-	-	-	9.306.466	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**832.024**	**-**	**-**	**-**	**21.829.650**	**-**

7. Credit derivatives exposures

None.

f. Securitization disclosures

None.

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

g. Explanations on market risk

1. Qualitative information to be disclosed to the public regarding market risk

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

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

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

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

Additional Risk Capital Requirement represents the loss that can occur due to the possibility of a decrease in the credit worthiness of issuers of securities in the trading portfolio.

In addition to VaR and PVBP restrictions, Stress Tests are also being used to measure the potential effects of possible but extreme situations in various financial factors or market movements on the value of the portfolio. Stress Test results are assessed by the Senior Management in order to determine the effects of such incidents on the financials and to take necessary precautions to narrow down possible losses.

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

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

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

IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Standardised Approach

	Current Period 31 December 2023 Risk Weighted Amount	Prior Period 31 December 2022 Risk Weighted Amount
Outright Products		
Interest Rate Risk (general and specific)	1.569.052	1.400.603
Equity Risk (general and specific)	11.475	11.475
Foreign Exchange Risk	6.060.926	1.560.498
Commodity Risk	1.661.959	1.135.924
Options		
Simplified Approach	-	-
Delta-plus Method	384.838	1.550
Scenario Approach	-	-
Securitization	-	-
Total	**9.688.250**	**4.110.050**

h. Explanations on operational risk

The amount subject to the operational risk is calculated once every year through the use of "Basic Indicator Method" in the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio" published in the Official Gazette No.29511 dated 23 October 2015 and effective as of 1 July 2012. The amount subject to operational risk is calculated for 31 December 2023 with the usage of the gross income in 2020, 2021 and 2022.

Annual gross income is calculated by deducting profit/loss arising from the sale of securities followed in the accounts of financial assets at fair value through other comprehensive income and financial assets measured at amortized cost, from the sum of the net amounts of interest income and non-interest income, as well as extraordinary incomes and indemnified amounts from insurance.

Current Period	**31.12.2020**	**31.12.2021**	**31.12.2022**	**Total/Positive GI year number**	**Rate (%)**	**Total**
Gross Income	2.288.788	3.304.580	6.845.780	4.146.383	15	621.957
Operational Risk Capital Requirement (Total*12,5)						7.774.467

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

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

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

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

The estimated fair value of loans and borrowing with bank placements is determined by calculating the discounted cash flow using the current market rates for the loans with fixed rate.

Fair values of the Bank' financial assets at fair value through other comprehensive income, are calculated over the closing prices determined as of the reporting date in the market in which they are traded. The fair value of stocks that are not traded in an active market are considered to be costs. Since government debt securities classified as financial assets at fair value through other comprehensive income are valued at their fair values using the prices in the markets in which they are traded, there is no difference between their fair values and carrying values.

	Carrying Value		**Fair Value**	
	Current Period 31 December 2023	**Prior Period 31 December 2022**	**Current Period 31 December 2023**	**Prior Period 31 December 2022**
Financial Assets	**107.801.527**	**71.143.576**	**106.562.280**	**71.687.254**
Interbank Money Market Placements	37.344.889	25.590.030	37.344.889	25.590.030
Banks	11.482.871	195.193	11.482.871	195.193
Financial Assets at Fair Value Through Other Comprehensive Income	7.973.914	3.527.513	7.973.914	3.527.513
Financial Assets Measured at Amortised Cost	3.432.430	2.431.825	2.189.661	2.964.316
Loans (*)	47.567.423	39.399.015	47.570.945	39.410.202
Financial Liabilities	**120.796.179**	**75.518.720**	**121.929.161**	**75.791.372**
Bank Deposits	1.467.726	1.092.917	1.467.726	1.092.917
Other Deposits	106.956.412	70.179.447	108.385.392	70.665.268
Funds From Other Financial Institutions	9.287.109	2.769.789	8.991.110	2.556.620
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	3.084.932	1.476.567	3.084.933	1.476.567

(*) Includes the factoring receivables amounting to TL 272.395 (31 December 2022: TL 364.532).

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

X. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (Continued)

b. Explanations on fair value classification:

Aforesaid classifications related to fair values are determined as follows;

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

Current Period - 31 December 2023	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	**695.815**	**7.273.861**	**-**	**7.969.676**
- Government debt securities	695.815	-	-	695.815
- Share certificates (*)	-	-	-	-
- Trading derivative financial asset	-	7.273.861	-	7.273.861
- Other securities	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	**7.973.914**	**-**	**-**	**7.973.914**
- Share certificates	-	-	-	-
- Government debt securities	7.973.914	-	-	7.973.914
- Other marketable securities	-	-	-	-
Total Assets	**8.669.729**	**7.273.861**	**-**	**15.943.590**
- Derivative financial liabilities	-	6.155.553	-	6.155.553
Total Liabilities	**-**	**6.155.553**	**-**	**6.155.553**

(*) Unquoted share certificates amounting to TL 5.742 measured at cost in accordance with TFRS 9, are not included.

Prior Period - 31 December 2022	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	**534.582**	**4.597.275**	**-**	**5.131.857**
- Government debt securities	534.582	-	-	534.582
- Share certificates (*)	-	-	-	-
- Trading derivative financial asset	-	4.597.275	-	4.597.275
- Other securities	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	**3.527.513**	**-**	**-**	**3.527.513**
- Share certificates	-	-	-	-
- Government debt securities	3.527.513	-	-	3.527.513
- Other marketable securities	-	-	-	-
Total Assets	**4.062.095**	**4.597.275**	**-**	**8.659.370**
- Derivative financial liabilities	-	3.677.458	-	3.677.458
Total Liabilities	**-**	**3.677.458**	**-**	**3.677.458**

(*) Unquoted share certificates amounting to TL 5.742 measured at cost in accordance with TFRS 9, are not included.

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

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

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

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

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

None.

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 Parent 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 Parent Bank provides loans, commercial card, foreign trade financing, structured trading financing, project and export financing, syndications, custodian services, cash and risk management services. In the corporate and investment banking segment, loan and investment services, commercial card, insurance products, cash and risk management services are provided to customers. Also, the Parent Bank provides marketable securities transactions, gold and foreign exchange transactions, derivative transactions and money market transactions services to its customers.

	Retail Banking	Corporate Banking	Global Banking	Treasury and Capital Markets	Other	Group's Total Activities
Current Period – 31 December 2023						
Operating Income	1.075.405	2.668.461	1.585.830	5.113.509	(10.620)	10.432.585
Other	-	-	-	-	-	-
Operating Income	**1.075.405**	**2.668.461**	**1.585.830**	**5.113.509**	**(10.620)**	**10.432.585**
Segment Net Profit	-	-	-	-	-	-
Undistributed Cost	-	-	-	-	-	-
Operating Profit/(Loss)	(1.417.487)	1.371.372	1.205.500	4.279.057	(70.097)	5.368.345
Profit before Tax	**(1.417.487)**	**1.371.372**	**1.205.500**	**4.279.057**	**(70.097)**	**5.368.345**
Corporate Tax Provision (*)	-	-	-	-	(1.064.237)	(1.064.237)
Profit after Tax	**(1.417.487)**	**1.371.372**	**1.205.500**	**4.279.057**	**(1.134.334)**	**4.304.108**
Non-Controlling Interest	-	-	-	-	-	-
Net Profit for the Period	**(1.417.487)**	**1.371.372**	**1.205.500**	**4.279.057**	**(1.134.334)**	**4.304.108**
Segment Assets	3.580.865	31.845.724	11.500.380	93.357.585	-	140.284.554
Associates and Subsidiaries	-	-	-	-	-	-
Undistributed Assets	-	-	-	-	-	-
Total Assets	**3.580.865**	**31.845.724**	**11.500.380**	**93.357.585**	**-**	**140.284.554**
Segment Liabilities	77.149.943	9.930.068	18.759.180	18.786.292	3.796.837	128.422.320
Undistributed Liabilities	-	-	-	-	11.862.234	11.862.234
Total Liabilities	**77.149.943**	**9.930.068**	**18.759.180**	**18.786.292**	**15.659.071**	**140.284.554**
Other Segment Items	**-**	**-**	**-**	**(55.378)**	**(768.536)**	**(823.914)**
Capital Investment	-	-	-	-	494.628	494.628
Amortization	-	-	-	-	(277.390)	(277.390)
Impairment	-	-	-	(55.378)	-	(55.378)
Non-Cash Other Income-Expense (**)	-	-	-	-	(985.774)	(985.774)

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

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

XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate Banking	Global Banking	Treasury and Capital Markets	Other	Group's Total Activities
Prior Period – 31 December 2022						
Operating Income	1.658.818	1.840.074	1.282.428	2.118.430	1.169	6.900.919
Other	-	-	-	-	-	-
Operating Income	**1.658.818**	**1.840.074**	**1.282.428**	**2.118.430**	**1.169**	**6.900.919**
Segment Net Profit	-	-	-	-	-	-
Undistributed Cost	-	-	-	-	-	-
Operating Profit/(Loss)	341.178	1.091.935	1.013.567	1.651.559	(115.957)	3.982.282
Profit before Tax	**341.178**	**1.091.935**	**1.013.567**	**1.651.559**	**(115.957)**	**3.982.282**
Corporate Tax Provision (*)	-	-	-	-	(915.417)	(915.417)
Profit after Tax	**341.178**	**1.091.935**	**1.013.567**	**1.651.559**	**(1.031.374)**	**3.066.865**
Non-Controlling Interest	-	-	-	-	-	-
Net Profit for the Period	**341.178**	**1.091.935**	**1.013.567**	**1.651.559**	**(1.031.374)**	**3.066.865**
Segment Assets	4.362.867	23.633.289	8.948.614	51.269.479	-	88.214.249
Associates and Subsidiaries	-	-	-	-	-	-
Undistributed Assets	-	-	-	-	-	-
Total Assets	**4.362.867**	**23.633.289**	**8.948.614**	**51.269.479**	**-**	**88.214.249**
Segment Liabilities	49.454.106	8.507.463	11.815.328	8.560.409	2.308.174	80.645.480
Undistributed Liabilities	-	-	-	-	7.568.769	7.568.769
Total Liabilities	**49.454.106**	**8.507.463**	**11.815.328**	**8.560.409**	**9.876.943**	**88.214.249**
Other Segment Items	**-**	**-**	**-**	**(41.794)**	**2.171.763**	**2.129.969**
Capital Investment	-	-	-	-	274.710	274.710
Amortization	-	-	-	-	(186.454)	(186.454)
Impairment	-	-	-	(41.794)	-	(41.794)
Non-Cash Other Income-Expense (**)	-	-	-	-	2.083.507	2.083.507

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

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO 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 31 December 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Cash/Foreign Currency	69.876	2.363.548	85.620	2.165.797
The CBRT	9.688.490	11.182.559	1.058.930	8.896.093
Total	**9.758.366**	**13.546.107**	**1.144.550**	**11.061.890**

2. Information related to balances with the CBRT:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposit	218.241	311.489	1.058.930	19.345
Unrestricted Time Deposit	7.874.102	-	-	-
Restricted Time Deposit	-	-	-	-
Reserve Requirements	1.596.147	10.871.070	-	8.876.748
Total	**9.688.490**	**11.182.559**	**1.058.930**	**8.896.093**

3. Explanation on reserve deposits:

According to the CBRT's Communiqué No. 2013/15, banks operating in Turkey establish required reserves at the Central Bank of the Republic of Turkey for their Turkish currency and foreign currency liabilities. Required reserves are in Turkish Lira according to the "Communiqué on Reserve Required Reserves" at the Central Bank of the Republic of Turkey. It can be held in US Dollars and/or Euros and standard gold. According to the Communiqué on Required Reserves published in the Official Gazette dated 1 July 2021 and numbered 31528, the possibility of maintaining Turkish lira required reserves in foreign currency was terminated as of 1 October 2021.

As of 31 December 2023, Turkish lira required reserve ratios for Turkish lira deposits and other liabilities range from 3% to 30% (31 December 2022: 3% to 8%) and for foreign exchange deposits and other liabilities range from 5% to 30% (31 December 2022: 5% to 27%).

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

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

b) Information on financial assets at fair value through profit or loss:

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

	Current Period 31 December 2023	Prior Period 31 December 2022
Collateral/Blocked	-	-
Repurchase Agreement	-	-
Unrestricted	695.815	534.582
Total	**695.815**	**534.582**

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

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Forward Transactions	-	656.471	1.144	917.044
Swap Transactions	1.061.353	1.048.425	449.948	629.155
Futures Transactions	-	-	-	-
Options	-	4.507.612	-	2.599.984
Total	**1.061.353**	**6.212.508**	**451.092**	**4.146.183**

c) Information on Banks:

1. Information on banks and other financial institutions:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Banks				
Domestic	10.831.644	-	74.677	-
Foreign	-	651.227	-	120.516
Foreign Head Office and Branches	-	-	-	-
Total	**10.831.644**	**651.227**	**74.677**	**120.516**

2. Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period 31 December 2023	Prior Period 31 December 2022	Current Period 31 December 2023	Prior Period 31 December 2022
European Union Countries	639.256	96.171	-	-
USD, Canada	2.022	1.063	-	-
OECD Countries (*)	4.915	19.208	-	-
Off-Shore Banking Regions	1.819	2.182	-	-
Other	3.215	1.892	-	-
Total	**651.227**	**120.516**	-	-

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

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

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

d) Information on financial assets fair value through other comprehensive income given as collateral/blocked and subject to repurchase agreements

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

	Current Period 31 December 2023	Prior Period 31 December 2022
Collateral/Blocked	4.075.006	2.976.801
Repurchase Agreement	-	-
Unrestricted	3.898.908	550.712
Total	**7.973.914**	**3.527.513**

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

	Current Period 31 December 2023	Prior Period 31 December 2022
Debt Securities	**7.986.656**	**3.527.613**
Quoted to Stock Exchange	7.986.656	3.527.613
Not Quoted	-	-
Share Certificate	-	-
Quoted to Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	**12.742**	**100**
Total	**7.973.914**	**3.527.513**

e) Information Related to Loans:

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

	Current Period 31 December 2023		Prior Period 31 December 2022	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	**-**	**409.317**	**-**	**185.384**
Corporate Shareholders	-	409.317	-	185.384
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	**-**	**589.746**	**-**	**446.952**
Loans Granted to Employees	**46.732**	**-**	**43.128**	**-**
Total	**46.732**	**999.063**	**43.128**	**632.336**

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

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

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

		Loans under Close Monitoring		
			Restructured Loans	
Cash Loans	**Standard Loans**	**Loans not Subject to Restructuring**	**Loans with Revised Contract Terms**	**Refinancing**
Non-specialized Loans(*)	**42.642.339**	**2.020.727**	**2.773.403**	**-**
Discount Notes	20.100.503	1.691.365	2.138.676	-
Export Loans	13.635.784	-	-	-
Import Loans	1.254.503	-	628.348	-
Loans Given to Financial Sector	4.220.297	-	-	-
Retail Loans	657.239	71.338	387	-
Credit Cards	2.600.393	258.024	5.992	-
Other	173.620	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**42.642.339**	**2.020.727**	**2.773.403**	**-**

(*) Includes the factoring receivables amounting to TL 272.395.

	Current Period 31 December 2023		Prior Period 31 December 2022	
	Standard Loans	**Loans Under Close Monitoring**	**Standard Loans**	**Loans Under Close Monitoring**
12 Months Expected Credit Loss	546.590	-	121.470	-
Significant Increase in Credit Risk	-	1.067.284	-	1.763.203
Total	**546.590**	**1.067.284**	**121.470**	**1.763.203**

3. Breakdown of loans according to their maturities:

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	**Restructured or Rescheduled**	**Loans and Other Receivables**	**Restructured or Rescheduled**
Short-Term Loans and Other Receivables	**32.058.937**	**-**	**310.737**	**634.770**
Non-Specialized Loans (*)	32.058.937	-	310.737	634.770
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	**10.583.402**	**-**	**1.709.990**	**2.138.633**
Non-Specialized Loans	10.583.402	-	1.709.990	2.138.633
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

(*) Includes the factoring receivables amounting to TL 272.395.

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

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

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	**213.728**	**415.494**	**629.222**
Mortgage Loans	-	49.847	49.847
Vehicle Loans	465	21.025	21.490
Consumer Loans	213.263	344.434	557.697
Other	-	188	188
Consumer Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**2.779.730**	**5.244**	**2.784.974**
Instalment	983.503	5.244	988.747
Non Instalment	1.796.227	-	1.796.227
Individual Credit Cards-FC	**28.996**	-	**28.996**
Instalment	1.870	-	1.870
Non Instalment	27.126	-	27.126
Personnel Loans-TL	**7.807**	**15.085**	**22.892**
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	7.807	15.085	22.892
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**23.341**	-	**23.341**
Instalment	10.832	-	10.832
Non Instalment	12.509	-	12.509
Personnel Credit Cards-FC	**499**	-	**499**
Instalment	-	-	-
Non Instalment	499	-	499
Overdraft Account-TL (Individual)	**76.850**	-	**76.850**
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	**3.130.951**	**435.823**	**3.566.774**

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

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

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

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	**-**	**3.128**	**3.128**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	3.128	3.128
Other	-	-	-
Commercial Instalment Loans- FC Indexed	**-**	**39.362**	**39.362**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	39.362	39.362
Other	-	-	-
Commercial Instalment Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	**21.676**	**-**	**21.676**
Instalment	2.634	-	2.634
Non Instalment	19.042	-	19.042
Corporate Credit Cards-FC	**4.923**	**-**	**4.923**
Instalment	-	-	-
Non Instalment	4.923	-	4.923
Overdraft Account-TL (Commercial)	**-**	**-**	**-**
Overdraft Account-FC (Commercial)	**-**	**-**	**-**
Total	**26.599**	**42.490**	**69.089**

6. Loans according to types of borrowers:

	Current Period 31 December 2023	Prior Period 31 December 2022
Public	-	434.654
Private (*)	47.436.469	38.796.810
Total	**47.436.469**	**39.231.464**

(*) As of 31 December 2023, it includes factoring receivables amounting to TL 272.395 (31 December 2022: TL 364.532).

7. Distribution of domestic and foreign loans:

	Current Period 31 December 2023	Prior Period 31 December 2022
Domestic Loans	47.402.927	39.038.623
Foreign Loans	33.542	192.841
Total (*)	**47.436.469**	**39.231.464**

(*) As of 31 December 2023, it includes factoring receivables amounting to TL 272.395 (31 December 2022: TL 364.532).

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

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

8. Loans granted to investments in associates and subsidiaries

As of 31 December 2023 and 31 December 2022, the Group has no loans granted to investments in associates and subsidiaries.

9. Specific provisions provided against loans:

	Current Period 31 December 2023	Prior Period 31 December 2022
Loans with Limited Collectability	5.383	4.518
Loans with Doubtful Collectability	7.987	10.518
Uncollectible Loans	75.744	90.787
Total	**89.114**	**105.823**

10 Information on non-performing loans (Net):

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period: 31 December 2023			
Gross Amounts Before Provisions	-	-	31.812
Rescheduled Loans	-	-	31.812
Prior Period: 31 December 2022			
Gross Amounts Before Provisions	-	-	47.948
Rescheduled Loans	-	-	47.948

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Balance at the end of Prior Period: 31 December 2022	**7.283**	**12.977**	**147.291**
Additions (+)	26.775	1.891	4.607
Transfers from Other Categories of Non-Performing Loans (+)	-	18.924	19.102
Transfers to Other Categories of Non-Performing Loans (-)	18.924	19.102	-
Collections (-)	6.290	5.069	31.241
Write-offs (-)(*)	-	-	27.270
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: 31 December 2023	**8.844**	**9.621**	**112.489**
Provisions (-)	5.383	7.987	75.744
Net Balance in Balance Sheet	**3.461**	**1.634**	**36.745**

(*) As of 31 December 2023, the Parent Bank's non-performing loan ratio decreased from 0,33% to 0,28% after the loans written off in the current period in accordance with the amendment in the related Provisions Regulation.

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

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

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

As of 31 December 2023, there are no non-performing loans granted as foreign currency loans (31 December 2022: None).

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net): 31 December 2023	**3.461**	**1.634**	**36.745**
Loans granted to corporate entities and real persons (Gross)	8.844	9.621	112.489
Provisions Amount (-)	5.383	7.987	75.744
Loans granted to corporate entities and real persons (Net)	3.461	1.634	36.745
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-
Prior Period (Net): 31 December 2022	**2.765**	**2.459**	**56.504**
Loans granted to corporate entities and real persons (Gross)	7.283	12.977	147.291
Provisions Amount (-)	4.518	10.518	90.787
Loans granted to corporate entities and real persons (Net)	2.765	2.459	56.504
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	**226**	**120**	**1.436**
Interest Accruals and Rediscount with Valuation Differences	622	589	6.406
Provision amount (-)	396	469	4.970
Prior Period (Net)	**110**	**157**	**3.477**
Interest Accruals and Rediscount with Valuation Differences	388	948	9.623
Provision amount (-)	278	791	6.146

11. 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", which was published in the Official Gazette dated 27 November 2019 and numbered 30961, the Parent Bank may exclude the portion of its loans classified as "Fifth Group-Loans with Loss" from the balance sheet, for which there is no reasonable expectation of recovery. The Parent Bank makes an objective evaluation while determining whether there is a reasonable expectation.
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:

For the retail portfolio:

- When unsecured retail products reach a delay of more than 3 years (1080 days),
- When there is no guarantee left for the guaranteed retail 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.

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

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

11. Information on the write-off policy of the Bank (Continued):

For the corporate-commercial portfolio:

- Accounts monitored under BRSA 5th Group (customers with 360+ days of delay or situations where the collection expectation is very low due to significant financial difficulties for the customer/there are no reasonable collection expectations) and accounts with 1080 or more days of delay are removed from the balance sheet and written off.
- For all loans within this scope, the expected credit loss must be 100% and no collections must have occurred in the last 36 months. The possibility that the income to be obtained from the enforcement/bankruptcy process will be very low is taken into account.
- The possibility that the income to be obtained from the enforcement/bankruptcy process will be very low is taken into account.
- If the legal remedies regarding the unsecured portfolio cannot be repaid in its entirety, the portion of the receivable that is deemed unpaid is deducted from the record. Here it is sought to reach a delay of 1080 days.

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

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Collateral/Blocked	2.285.231	-	2.386.360	-
Subject to Repo Transactions	-	-	-	-
Total	**2.285.231**	**-**	**2.386.360**	**-**

2. Information on Government debt securities:

	Current Period 31 December 2023	Prior Period 31 December 2022
Government Bond	3.432.430	2.431.825
Treasury Bill	-	-
Other Public Debt Securities	-	-
Total	**3.432.430**	**2.431.825**

3. Information on financial assets measured at amortized cost:

	Current Period 31 December 2023	Prior Period 31 December 2022
Debt Securities	3.432.430	2.431.825
Traded in the Stock Exchange	3.432.430	2.431.825
Not Traded in the Stock Exchange	-	-
Other Public Debt Securities	-	-
Total	**3.432.430**	**2.431.825**

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

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

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

	Current Period 31 December 2023	Prior Period 31 December 2022
Value at the Beginning of the Period	2.431.825	-
Currency Differences in Monetary Assets	-	-
Purchases During the Year	1.014.268	2.385.221
Disposal through Sale and Redemption	-	-
Valuation Effect	(13.663)	46.604
Total	**3.432.430**	**2.431.825**

g) Information on associates (Net):

The Group has no associates as of 31 December 2023 and 31 December 2022.

h) Information on subsidiaries (Net):

1. Information on capital adequacy of major subsidiaries:

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

	HSBC Yatırım ve Menkul Değerler A.Ş.(*)
Capital Stock	**182.754**
Paid-in Capital	40.000
Share Premium	-
Reserves	36.881
Current Period's Profit and Prior Periods' Profit	105.873
Current Period's Losses and Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	-
Intangible Assets (-)	373
Supplementary Capital	-
Deductions from Capital	-
Net Available Equity	**182.381**

(*) Referring to the Banking Regulation and Supervision Agency's decision numbered 10744 dated December 12, 2023, it denotes the unapplied consolidated financial statements of subsidiaries under the Financial Reporting Standard in Hyperinflationary Economies (TAS 29).

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

As of 31 December 2023, the Bank has no subsidiaries that are not included in the scope of consolidation. As of 31 December 2022, the liquidation process of HSBC Ödeme Sistemleri and Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş., which is not included in the scope of consolidation of the Parent Bank, started on 17 October 2019 and was liquidated on 28 March 2022.

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

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

3. Information on subsidiaries included in the scope of consolidation:

HSBC Yatırım was established as Demir Yatırım on 23 December 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 6 December 2001 based on the authority given to the Board of Directors in accordance with General Assembly decision dated 30 October 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 11 January 2002.

a) Consolidated Subsidiaries:

Title	Address (City/Country)	The Parent Bank's Share Percentage- If Different Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
HSBC Yatırım ve Menkul Değerler A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	100,00	-

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss(**)	Fair Value
516.315	360.022	10.605	102.828	-	177.268	72.053	-

(*) It refers to the consolidated financial statements of subsidiaries that have not applied TAS 29, in accordance with the Banking Regulation and Supervision Agency's decision numbered 10744 dated 12 December 2023.

4. Movement schedule of the consolidated subsidiaries:

	Current Period 31 December 2023	Prior Period 31 December 2022
Balance at the Beginning of the Period	**34.753**	**34.753**
Movements During the Period	**-**	**-**
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Impairment Provision (-)	-	-
Balance at the End of the Period	**34.753**	**34.753**
Capital Commitments	**-**	**-**
Share Percentage at the End of the Period (%)	**100,00**	**100,00**

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

	Current Period 31 December 2023	Prior Period 31 December 2022
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

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

6. Subsidiaries quoted on a stock exchange:

The Group has no subsidiaries quoted on a stock exchange as of 31 December 2023 and 31 December 2022.

i) Information on jointly controlled entities:

1. The Group has no jointly controlled entities as of 31 December 2023 and 31 December 2022.

2. As of 31 December 2023 and 31 December 2022, the accounting method is not determined since the Group has no jointly controlled entities.

j) Information on financial lease receivables (Net):

As of 31 December 2023 and 31 December 2022, the Group has no finance leases.

k) Information on hedging derivative financial assets:

The Group has no hedging derivative financial assets as of 31 December 2023 and 31 December 2022.

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

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

l) Explanations on property and equipment:

Prior Period End:	**Real Estates**	**Right-of-use Assets**	**Vehicles**	**Other Tangible Assets**	**Total**
Cost	7.714	190.830	10.046	415.171	623.761
Accumulated Depreciation and Impairment (-)	4.857	101.075	7.843	273.276	387.051
Net Book Value	**2.857**	**89.755**	**2.203**	**141.895**	**236.710**
Current Period End:					
Net Book Value at the Beginning	2.857	89.755	2.203	141.895	236.710
Additions	-	74.805	106.876	116.979	298.660
Disposals (Cost)	-	23.707	176	32.875	56.758
Disposals (Depreciation)	-	14.952	150	31.187	46.289
Depreciation (-)	122	56.790	4.512	49.489	110.913
Cost at Period End	7.714	241.928	116.746	499.275	865.663
Accumulated Depreciation at Period End (-)	4.979	142.913	12.205	291.578	451.675
Closing Net Book Value	**2.735**	**99.015**	**104.541**	**207.697**	**413.988**

m) Information on intangible assets:

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

	Current Period 31 December 2023	**Prior Period 31 December 2022**
Gross Book Value	1.089.992	819.220
Accumulated Depreciation (-)	665.311	498.835
Net Book Value	**424.681**	**320.385**

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

	Current Period 31 December 2023	**Prior Period 31 December 2022**
Opening Balance	**320.385**	**242.695**
Additions	270.773	187.847
Disposals (-) (net)	-	-
Depreciation (-)	166.477	110.157
Closing Net Book Value	**424.681**	**320.385**

n) Information on the investment properties:

As of 31 December 2023 and 31 December 2022, the Group has no investment properties.

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

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

o) Explanations on deferred tax asset:

As of 31 December 2023, the Group's deferred tax asset amounts to 489.382 TL (31 December 2022: 423.306 TL). The temporary differences subject to deferred tax calculations primarily arise from deductible loan provisions, other provisions allocated under TAS 37, differences between the carrying amount and tax base of fixed assets and financial assets and liabilities, and provisions for employee benefits.

Timing differences between the applied accounting policies and valuation principles and tax regulations are accounted for by netting off assets and liabilities. Information regarding the deferred tax asset as of 31 December 2023, is disclosed in Footnote XX of the Third Section.

	Cumulative 31 December 2023	Deferred Tax Asset/Liability 31 December 2023
Stage I and II Loan Provisions	1.821.271	546.381
Unearned Revenues	159.612	47.884
Employee Termination Benefit Provision	160.340	48.102
Restructuring Provisions	23.084	6.925
Derivative Expense Rediscounts	6.155.553	1.846.666
Differences Between the Book Value and Tax Value of Fixed Assets	1.077.242	323.172
Other	806.000	230.384
Deferred Tax Asset	**10.203.102**	**3.049.514**
Derivative Income Rediscounts	(7.273.861)	(2.182.158)
Other	(1.259.906)	(377.974)
Deferred Tax Liability	**(8.533.767)**	**(2.560.132)**
Deferred Tax Asset Recognized as Expense		**-**
Net Tax Asset (*)		**489.382**

(*) Information on the deferred tax asset of the Group as of 31 December 2023 is explained in Note XX of Section Three.

	Cumulative 31 December 2022	Deferred Tax Asset/Liability 31 December 2022
Stage I and II Loan Provisions	1.961.546	490.386
Unearned Revenues	107.020	26.755
Employee Termination Benefit Provision	245.854	61.463
Derivative Expense Rediscounts	3.677.458	919.365
Other	406.303	103.164
Deferred Tax Asset	**6.398.181**	**1.601.133**
Derivative Income Rediscounts	(4.597.274)	(1.149.319)
Other	(113.970)	(28.508)
Deferred Tax Liability	**(4.711.244)**	**(1.177.827)**
Deferred Tax Asset Recognized as Expense		**-**
Net Tax Asset (*)		**423.306**

(*) Information on the deferred tax asset of the Group as of 31 December 2022 is explained in Note XX of Section Three.

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

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

o) Explanations on deferred tax asset (Continued):

	Current Period 31 December 2023	Prior Period 31 December 2022
Deferred Tax as of 1 January Active/(Passive) – Net	**423.306**	**668.896**
Deferred Tax (Loss)/Gain	41.409	(286.457)
Deferred Tax that is Realized under Shareholder's Equity	24.667	40.867
Deferred Tax Active/(Passive) – Net	**489.382**	**423.306**

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

As of 31 December 2023 and 31 December 2022, the Group has no assets held for sale.

	Current Period 31 December 2023	Prior Period 31 December 2022
Prior Period End:		
Cost	-	-
Accumulated Depreciation (-)	-	-
Net Book Value	-	-
Current Period End:		
Net Book Value at the Beginning	-	-
Additions	-	343
Disposals (Cost)	-	343
Disposals (-) (Depreciation)	-	-
Depreciation (-)	-	-
Cost at Period End	-	-
Accumulated Depreciation at Period End (-)	-	-
Closing Net Book Value	-	-

r) Information on other assets:

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

	Current Period 31 December 2023	Prior Period 31 December 2022
Miscellaneous Receivables (*) (**)	893.422	343.832
Prepaid Expenses	156.291	79.812
Other Rediscount Income	84.497	59.869
Debited Suspense Accounts	61.739	253.465
Other Assets	59.143	18.961
Total	**1.255.092**	**755.939**

(*) Includes BIST guarantees.

(**) As of 31 December 2023 amount of TL 14.410 provision provided for Miscellaneous Receivables within the scope of TFRS 9 (31 December 2022: TL 8.632).

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

As of 31 December 2023 and 31 December 2022, the Group has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a) Information on deposits

1. Information on maturity structure of the deposits:

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

1(i). Current Period – 31 December 2023:

	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	661.063	-	690.953	4.658.203	25.418.621	8.598.658	541.312	-	40.568.810
Foreign Currency Deposits	32.063.789	-	5.411.121	4.004.832	261.882	109.984	147.949	-	41.999.557
Residents in Turkey	28.469.599	-	5.084.890	3.158.204	161.623	32.829	41.049	-	36.948.194
Residents Abroad	3.594.190	-	326.231	846.628	100.259	77.155	106.900	-	5.051.363
Public Sector Deposits	5.586	-	-	-	-	-	-	-	5.586
Commercial Deposits	2.624.741	-	10.258.004	403.760	2.878.205	1.053.606	-	-	17.218.316
Other Institutions Deposits	71.126	-	694	-	-	-	-	-	71.820
Precious Metal Deposit	6.781.138	-	10.368	286.646	3.907	10.264	-	-	7.092.323
Bank Deposit	283.980	-	1.183.746	-	-	-	-	-	1.467.726
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	401.449	-	-	-	-	-	401.449
Foreign Banks	283.980	-	782.297	-	-	-	-	-	1.066.277
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**42.491.423**	**-**	**17.554.886**	**9.353.441**	**28.562.615**	**9.772.512**	**689.261**	**-**	**108.424.138**

1(ii). Prior Period - 31 December 2022:

	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	605.370	-	1.689.826	5.339.340	9.663.712	982.808	679.279	-	18.960.335
Foreign Currency Deposits	20.224.273	-	3.971.182	5.324.800	2.333.025	174.392	176.464	-	32.204.136
Residents in Turkey	17.563.620	-	3.728.567	4.465.304	2.191.485	85.538	54.456	-	28.088.970
Residents Abroad	2.660.653	-	242.615	859.496	141.540	88.854	122.008	-	4.115.166
Public Sector Deposits	3.584	-	-	-	-	-	-	-	3.584
Commercial Deposits	1.891.056	-	6.960.713	68.011	2.537.653	615.568	479.880	-	12.552.881
Other Institutions Deposits	23.663	-	492	-	-	-	-	-	24.155
Precious Metal Deposit	5.554.573	-	19.426	393.688	453.692	12.977	-	-	6.434.356
Bank Deposit	342.703	-	750.214	-	-	-	-	-	1.092.917
The CBRT	39.776	-	-	-	-	-	-	-	39.776
Domestic Banks	-	-	112.312	-	-	-	-	-	112.312
Foreign Banks	302.927	-	637.902	-	-	-	-	-	940.829
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**28.645.222**	**-**	**13.391.853**	**11.125.839**	**14.988.082**	**1.785.745**	**1.335.623**	**-**	**71.272.364**

Foreign exchange-protected deposit product, the operating rules of which are determined by the Ministry of Treasury and Finance and the CBRT, and which ensures that TL deposits are valued with interest rates and are protected against foreign currency exchange rates, is offered to bank customers. As of 31 December 2023, the foreign exchange-protected deposit amount in this context is TL 32.862.206.

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

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

2. Information on saving deposits insurance:

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

Saving Deposits	Covered by Deposit Insurance Fund Current Period 31 December 2023	Exceeding Deposit Insurance Limit Current Period 31 December 2023	Covered by Deposit Insurance Fund Prior Period 31 December 2022	Exceeding Deposit Insurance Limit Prior Period 31 December 2022
Saving Deposits	7.466.764	33.102.046	4.378.118	14.582.217
Foreign Currency Saving Deposits	7.915.019	22.518.848	4.838.782	19.438.422
Other Deposits in the Form of Saving	1.328.033	5.675.970	761.830	5.595.277
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	**16.709.816**	**61.296.864**	**9.978.730**	**39.615.916**

(*) In accordance with the "Regulation Amending the Regulation on Insurance Deposit and Participation Funds and Premiums to be Collected by the Savings Deposit Insurance Fund" published in the Official Gazette dated 27 August 2022 and numbered 31936, official institutions, all deposit and participation funds, except those belonging to official institutions, credit institutions and financial institutions within the scope of credit institutions, have started to be insured. In this context, commercial deposits covered by insurance amount to TL 271.088 and the relevant amount is not included in the footnote.

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 31 December 2023	Prior Period 31 December 2022
Foreign Branches' Deposits and other accounts	-	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wardship	50.613	37.822
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 31 December 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Forward Transactions	-	249.125	106	125.564
Swap Transactions	597.591	803.230	394.067	558.518
Future Transactions	-	-	-	-
Options	-	4.505.607	-	2.599.203
Other	-	-	-	-
Total	**597.591**	**5.557.962**	**394.173**	**3.283.285**

c) Information on Funds Provided Under Repurchase Agreements

As of 31 December 2023, the Group has no funds from repo transactions (31 December 2022: None).

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

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

d) Information on Funds Borrowed:

1. Information on banks and other financial institutions:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	-	-
Foreign Banks and Institutions and Funds	-	4.949.714	-	132.825
Total	**-**	**4.949.714**	**-**	**132.825**

2. Information on the maturity structure of funds borrowed:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Short-Term	-	4.949.714	-	132.825
Medium and Long-Term	-	-	-	-
Total	**-**	**4.949.714**	**-**	**132.825**

3. Further information on the concentration areas of liabilities:

Group diversifies its funding sources by customer deposits, loans from foreign countries and marketable securities issued.

e) Information on Marketable Securities Issued:

As of 31 December 2023, the Group has no funds obtained from repo transactions (31 December 2022: None).

f) Information on other foreign Liabilities:

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

g) Information on Financial Leasing Agreements

1. Explanations on finance lease payables:

With the "TFRS 16 Leases" standard valid from 1 January 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 31 December 2023	Prior Period 31 December 2022
Less than 1 year	25.865	7.886
Between 1- 4 years	69.730	44.854
More than 4 years	23.937	40.036
Total	**119.532**	**92.776**

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

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

h) Information on Derivative Financial Liabilities for Hedging Purposes:

As of 31 December 2023, the Group has no derivative financial liabilities for hedging purposes (31 December 2022: None).

i) Information on provisions:

1. Provisions for expected losses on non-compensated and non-cash loans

	Current Period 31 December 2023	Prior Period 31 December 2022
Provisions for off-balance sheet commitments (*)	175.670	49.030

(*) In accordance with TFRS 9, the expected loss provisions for the Stage 1, Stage 2 and Stage 3 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 31 December 2023, the Group has employee termination benefit provision amounting to TL 160.340 (31 December 2022: TL 245.854), and unused vacation provision amounting to TL 49.739 (31 December 2022: TL 28.808).

According to the Turkish Labor Law, the Parent Bank and its subsidiaries operating in Turkey are obliged to pay severance pay for their personnel who have completed one year and whose relationship has been terminated or retired due to compelling reasons, called for military service or passed away.

The compensation to be paid is one month's salary for each year of service. Severance pay liability is not legally subject to any funding and there is no funding requirement.

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

The assumption is that the severance pay ceiling applicable for each year of service will increase each year at the rate of inflation. Thus, the discount rate applied will show the expected real rate after adjusting for the expected effects of inflation.

	Current Period 31 December 2023	Prior Period 31 December 2022
As of 1 January	245.854	61.264
Service Cost	7.877	5.130
Interest Cost	41.833	14.137
Actuarial Loss / (Gain)	72.907	172.907
Paid in Current Period	(208.131)	(7.584)
Total	**160.340**	**245.854**

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

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

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

As of 31 December 2023, there is no foreign exchange difference provision for foreign currency indexed loans (31 December 2022: None).

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

As of 31 December 2023, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 3.739 (31 December 2022: TL 1.671).

5. Information on restructuring provisions:

As of 31 December 2023, the Parent Bank has TL 23.084 restructuring provisions (31 December 2022: None).

6. Information on other provisions:

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

As of 31 December 2023, the Group has no free provisions for possible risks (31 December 2022: None).

6 (ii). The names and amounts of sub-accounts of other provision under the condition of other provisions exceed 10% of total provisions

	Current Period 31 December 2023	Prior Period 31 December 2022
Provision for Lawsuits	67.583	50.386
Provision for Accumulated Credit Card Bonus	8.979	7.766
Return Provision of Case File Expenses	159	226
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	3.739	1.671
Other Provisions (*)	727.436	348.115
Total	**807.896**	**408.164**

(*) As of 31 December 2023 other provisions include Stage 1 and Stage 2 non-cash loans provision for expected losses within TFRS 9 amounting to TL 175.670 (31 December 2022: TL 49.030) and other provisions within TAS 37.

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

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

j) Explanations on tax liability:

1) Explanations on current tax liability

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

1(i). Information on taxes payable

	Current Period 31 December 2023	Prior Period 31 December 2022
Corporate Tax Payable	36.018	231.600
Taxation on Marketable Securities	88.428	20.557
Banking Insurance Transaction Tax (BITT)	75.349	34.275
Value Added Tax Payable	4.581	4.871
Capital Gains Tax on Property	1.084	660
Foreign Exchange Transaction Tax	5.985	6.477
Other (*)	45.924	24.050
Total	**257.369**	**322.490**

(*) As of 31 December 2023, there is income tax deducted from wages amounting to TL 39.867 (31 December 2022: TL 18.344), stamp duty of TL 1.054 (31 December 2022: TL 475), other taxes amounting to TL 4.502 (31 December 2022: TL 4.956) and self-employment income tax amounting to TL 501 (31 December 2022: TL 275).

1(ii). Information on premium payables:

	Current Period 31 December 2023	Prior Period 31 December 2022
Social Security Premiums – Employer	36.270	16.060
Social Security Premiums – Employee	31.335	18.816
Bank Social Aid Pension Fund Premium – Employer	-	-
Bank Social Aid Pension Fund Premium – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Unemployment Insurance – Employer	3.115	2.126
Unemployment Insurance – Employee	1.902	1.332
Other	-	-
Total	**72.622**	**38.334**

2. Information on deferred tax liability:

As of 31 December 2023, information on the Group's deferred tax liability is explained in Note XX of Section Three.

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

As of 31 December 2023 and 31 December 2022, the Group has no liabilities regarding assets held for sale and discontinued operations.

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

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

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

As of 31 December 2023, the Parent Bank has a subordinated loan of EUR 130 million with a maturity of 10 years from HSBC Holdings PLC, with the permission of the BRSA, dated 21 April 2021 and numbered E-20008792-101.02.01[56]-11799. The interest rate of the loan is EURIBOR + 6,99%.

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	4.337.395	-	2.636.964
Other Foreign Institutions	-	-	-	-
Total	**-**	**4.337.395**	-	**2.636.964**

m) Information on shareholder's equity

1. Presentation of paid-in capital:

	Current Period 31 December 2023	Prior Period 31 December 2022
Common Stock Provision	652.290	652.290
Preferred Stock Provision	-	-

The paid-in capital of the Parent Bank is shown above in nominal terms. As of 31 December 2023, there is a capital reserve of TL 272.693 arising from the adjustment of the paid-in capital for inflation (31 December 2022: TL 272.693) and TL 1.192.132 (31 December 2022: TL 50.880) other capital reserves.

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 period:

The Group has no capital commitments.

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

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

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

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

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

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

8. Information on valuation differences of marketable securities:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
From Investments in Associates, Subsidiaries, and Joint Ventures	**-**	**-**	**-**	**-**
Valuation Difference	-	-	-	-
Foreign Currency Difference	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	**131.783**	**-**	**100.572**	**-**
Valuation Difference	131.783	-	100.572	-
Foreign Currency Difference	-	-	-	-
Total	**131.783**	**-**	**100.572**	**-**

9. Information on revaluation value increase fund:

As of 31 December 2023 and 31 December 2022, the Group has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period 31 December 2023	Prior Period 31 December 2022
First Legal Reserve	188.541	188.541
Second Legal Reserve	14.130	14.130
Legal Reserves according to Special Legislation	-	-
Total	**202.671**	**202.671**

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

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

11. Information on extraordinary reserves:

	Current Period 31 December 2023	Prior Period 31 December 2022
Reserves Allocated per General Assembly Minutes	5.291.152	3.365.539
Retained Earnings	-	-
Accumulated Loss	-	-
Foreign Currency Differences	-	-
Total	**5.291.152**	**3.365.539**

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

Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 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 29 June 2017.

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

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

a) Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

	Current Period 31 December 2023	Prior Period 31 December 2022
Asset Purchase and Sale Commitments	35.671.760	6.910.339
Commitments for Credit Card Limits	5.396.993	4.091.710
Commitments for Cheques	14.419	11.692
Loan Granting Commitments	32.194	104.803
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	43.996	29.273
Tax and Fund Liabilities from Export Commitments	-	2.286
Other Irrevocable Commitments	570.150	514.107
Total	**41.729.512**	**11.664.210**

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

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

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

	Current Period 31 December 2023	Prior Period 31 December 2022
Letters of Guarantee	15.221.353	9.350.465
Letters of Credit	8.975.399	4.006.280
Bank Acceptances	-	-
Other Guarantees	719.823	465.778
Total	**24.916.575**	**13.822.523**

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

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

3. Information on the non-cash loans:

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

	Current Period 31 December 2023	Prior Period 31 December 2022
Non- Cash Loans Given for Cash Loan Risks Non-Cash Loans	**-**	**-**
With Original Maturity of One Year or Less	-	-
With Original Maturity of More Than One Year	-	-
Other Non-Cash Loans	**24.916.575**	**13.822.523**
Total	**24.916.575**	**13.822.523**

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

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

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

	Current Period 31 December 2023				Prior Period 31 December 2022			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	**177**	**0,01**	**-**	**-**	**7.567**	**0,47**	**-**	**-**
Farming and Raising Livestock	177	0,01	-	-	7.567	0,47	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	**595.837**	**31,73**	**7.782.277**	**33,78**	**680.526**	**41,83**	**4.397.606**	**36,06**
Mining and Quarrying	32316	1,72	1357	0,01	15916	0,98	2799	0,02
Production	553.492	29,46	7.663.064	33,26	658.354	40,47	3.767.090	30,89
Electric, Gas and Water	10.029	0,55	117856	0,51	6.256	0,38	627717	5,15
Construction	**69.000**	**3,67**	**7.113.507**	**30,88**	**79.796**	**4,91**	**3.499.390**	**28,69**
Services	**1.209.368**	**64,38**	**8.142.403**	**35,34**	**853.581**	**52,49**	**4.299.200**	**35,25**
Wholesale and Retail Trade	462.421	24,61	4.856.838	21,07	305.782	18,8	1.487.924	12,2
Hotel, Food and Beverage Services	21.053	1,12	19.702	0,09	32.817	2,02	12.021	0,1
Transportation and Telecommunication	71.555	3,81	858.539	3,73	102.677	6,32	413.821	3,39
Financial Institutions	223.201	11,89	2.256.798	9,80	188.627	11,6	2.175.773	17,84
Real Estate and Leasing Services	429.080	22,84	150.526	0,65	219.142	13,47	209.661	1,72
Self-employment Services	2.058	0,11	-	-	4.486	0,28	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	50	-	-	-
Other	**4.006**	**0,21**	**-**	**-**	**4.857**	**0,30**	**-**	**-**
Total	**1.878.388**	**100,00**	**23.038.187**	**100,00**	**1.626.327**	**100,00**	**12.196.196**	**100,00**

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

Current Period	**Group I**		**Group II**	
31 December 2023	**TL**	**FC**	**TL**	**FC**
Non-Cash Loans	**1.732.353**	**17.982.461**	**145.396**	**5.054.741**
Letters of Guarantee	1.732.353	8.561.746	76.896	4.849.719
Bank Acceptances	-	-	-	-
Letters of Credit	-	8.707.098	68.500	199.801
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	713.617	-	5.221

Prior Period	**Group I**		**Group II**	
31 December 2022	**TL**	**FC**	**TL**	**FC**
Non-Cash Loans	**1.468.164**	**7.707.866**	**157.152**	**4.487.708**
Letters of Guarantee	1.468.164	4.838.502	103.652	2.939.136
Bank Acceptances	-	-	-	-
Letters of Credit	-	2.857.269	53.500	1.095.511
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	12.095	-	453.061

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

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

b) Explanations on derivative transactions:

	Current Period 31 December 2023	Prior Period 31 December 2022
Foreign Currency Swap Transactions	159.601.878	74.298.138
Interest Rate Swap Transactions	56.560.454	33.611.558
Foreign Currency Options Transactions	29.962.582	18.715.584
Forward Foreign Currency Transactions (*)	104.328.139	49.872.069
Precious Metals Swap Transactions	5.310.984	4.227.677
Precious Metals Options Transactions	435.177	1.072.310
Total	**356.199.214**	**181.797.336**

(*) Includes forward asset purchase commitments in the commitments.

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 31 December 2023, there are 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 31 December 2023, a total provision of TL 67.742 (31 December 2022: TL 50.612) has been made for those lawsuits as the probability of being concluded against the Group is higher than the probability of being concluded in its favor, with TL 159 (31 December 2022: TL 226) being for provisions for refunds related to case document charges.

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a) Information on interest income:

1. Information on interest income received from loans:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-Term Loans	4.005.089	1.367.939	3.176.156	571.705
Medium and Long-Term Loans	1.114.629	1.254.685	554.567	700.371
Interest on Loans Under Follow-Up	10.802	1.302	24.985	1.267
Resource Utilization Support Fund	-	-	-	-
Total	**5.130.520**	**2.623.926**	**3.755.708**	**1.273.343**

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

2. Information on interest income received from banks:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
The CBRT	866.435	23.910	2.490	826
Domestic Banks	2.376.231	-	275.923	-
Foreign Banks	5.407	62.289	1.032	13.740
Headquarters and Branches Abroad	-	-	-	-
Total	**3.248.073**	**86.199**	**279.445**	**14.566**

3. Information on interest income on marketable securities:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	99.797	19.383	73.164	13.296
Financial Assets at Fair Value Through Other Comprehensive Income	1.272.002	-	675.055	-
Financial Assets Measured at Amortized Cost	410.865	-	101.918	-
Total	**1.782.664**	**19.383**	**850.137**	**13.296**

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

As of 31 December 2023, the Parent Bank has no interest income received from investments in associates and subsidiaries (31 December 2022: None).

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

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

b) Information on interest expense:

1. Information on interest expense on funds borrowed:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Banks	6.618	620.331	15	175.559
The CBRT	-	-	-	-
Domestic Banks	6.618	-	15	-
Foreign Banks	-	620.331	-	175.559
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	**6.618**	**620.331**	**15**	**175.559**

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

None.

3. Information on interest expense paid on securities issued:

	Current Period 31 December 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Interest expense to marketable securities issued	-	-	73.826	-

4. Maturity structure of the interest expense on deposits

		Time Deposit						
Current Period: 31 December 2023	**Demand Deposit**	**Up to 1 Month**	**Up to 3 Month**	**Up to 6 Month**	**Up to 1 Year**	**More than 1 year**	**Cumulative Deposit**	**Total**
Turkish Lira								
Interbank deposits	-	115.945	-	-	-	-	-	115.945
Saving deposits	-	184.111	4.002.639	6.089.441	586.412	85.619	-	10.948.222
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	1.488.564	172.097	729.104	153.635	20.845	-	2.564.245
Other deposits	-	195	1.820	-	-	-	-	2.015
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	**-**	**1.788.815**	**4.176.556**	**6.818.545**	**740.047**	**106.464**	**-**	**13.630.427**
Foreign Currency								
Foreign currency deposits	-	57.375	7.694	21.787	1.584	545	-	88.985
Interbank deposits	-	1.388	-	-	-	-	-	1.388
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	170	3.123	98	-	-	3.391
Total	**-**	**58.763**	**7.864**	**24.910**	**1.682**	**545**	**-**	**93.764**
Grand Total	**-**	**1.847.578**	**4.184.420**	**6.843.455**	**741.729**	**107.009**	**-**	**13.724.191**

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

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

		Time Deposit						
Prior Period: 31 December 2022	**Demand Deposit**	**Up to 1 Month**	**Up to 3 Month**	**Up to 6 Month**	**Up to 1 Year**	**More Than 1 year**	**Cumulative Deposit**	**Total**
Turkish Lira								
Interbank deposits	-	56.735	-	-	-	-	-	56.735
Saving deposits	-	241.116	336.798	1.164.746	104.669	87.428	-	1.934.757
Public sector deposits	-	7.900	-	-	-	-	-	7.900
Commercial deposits	-	615.075	51.916	237.561	115.874	52.691	-	1.073.117
Other deposits	-	23	-	-	-	-	-	23
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	**-**	**920.849**	**388.714**	**1.402.307**	**220.543**	**140.119**	**-**	**3.072.532**
Foreign Currency								
Foreign currency deposits	-	33.778	49.557	32.511	690	480	-	117.016
Interbank deposits	-	1.434	-	-	-	-	-	1.434
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	445	2.808	39	-	-	3.292
Total	**-**	**35.212**	**50.002**	**35.319**	**729**	**480**	**-**	**121.742**
Grand Total	**-**	**956.061**	**438.716**	**1.437.626**	**221.272**	**140.599**	**-**	**3.194.274**

5. Information on interest given on repurchase agreements:

As of 31 December 2023, the Group has interest given on repurchase agreements amounting to TL 3.188 (31 December 2022: TL 88.358).

6. Information on finance lease expenses:

As of 31 December 2023, the Group has lease expenses amounting to TL 26.939 (31 December 2022: TL 18.197).

7. Information on interest given on factoring payables

The Group has no interest given on factoring payables during the period ended on 31 December 2023 and 31 December 2022).

c) Explanations on dividend income:

The Group's dividend income for the year-end accounting period ending on 31 December 2023 is TL 371 (31 December 2022: TL 4.459).

d) Explanations on Trade Gain/Loss (Net):

1. Trade Gain/Loss (Net):

	Current Period 31 December 2023	Prior Period 31 December 2022
Profit	**827.768.717**	**426.654.284**
Capital Market Transactions Income	845.259	751.279
Gain on Derivative Financial Transactions	16.192.453	15.313.950
Foreign Exchange Gains	810.731.005	410.589.055
Loss (-)	**822.046.164**	**424.127.595**
Capital Market Transactions Loss	708.326	484.270
Loss on Derivative Financial Transactions	13.580.305	13.996.718
Foreign Exchange Loss	807.757.533	409.646.607
Total (Net)	**5.722.553**	**2.526.689**

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

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

e) Information on other operating income:

	Current Period 31 December 2023	Prior Period 31 December 2022
Reversal of Previous Years Expenses (*)	695.947	50.365
Gain on Sale of Assets	4.873	3.364
Provision for Telecommunication Expense	8.494	5.625
Other Income	182.851	160.873
Total	**892.165**	**220.227**

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

f) Impairment Provisions Related to Loans and Other Receivables of the Bank

	Current Period 31 December 2023	Prior Period 31 December 2022
Expected Credit Loss	547.945	351.646
12 Months Expected Credit Loss (Stage 1)	-	939
Significant Increase in Credit Risk (Stage 2)	536.339	350.707
Non-performing Loans (Stage 3)	11.606	-
Marketable Securities Impairment Expense	55.378	41.794
Financial Assets at Fair Value Through Profit or Loss	54.134	40.272
Financial Assets at Fair Value Through Other Comprehensive Income	1.244	1.522
Provisions for Impairment of Associates, Subsidiaries and Joint Ventures	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Other	-	-
Total	**603.323**	**393.440**

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

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

g) Information related to other operating expenses:

	Current Period 31 December 2023	Prior Period 31 December 2022
Reserve for Employee Termination Benefits (*)	-	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	110.913	76.297
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	166.477	110.157
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	-	-
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	701.174	408.090
Leasing Expenses on TFRS 16 Exceptions	25.209	11.473
Maintenance Licensing Expenses	228.784	134.256
Maintenance Expenses	76.877	39.569
Communication Expenses	27.312	17.259
Advertisement Expenses	28.135	24.765
Other Expenses	314.857	180.768
Loss on Sales of Assets	855	1.002
Tax, Duties, Charges and Funds Expenses	268.078	151.674
Saving Deposit Insurance Fund Expenses	119.464	82.033
Other (*)	539.051	399.575
Total	**1.906.012**	**1.228.828**

(*) Of the amount of TL 539.051 (31 December 2022: TL 399.575) shown in the Other line, TL 5.788 is audit and consultancy fees (31 December 2022: TL 2.256), TL 204 is from the arbitral tribunal expenses (31 December 2022: TL 183) and the remaining TL 533.059 consists of other expenses (31 December 2022: TL 397.136).

h) Fees for Services Received from Independent Auditor / Independent Audit Firm:

In accordance with the decision of the Public Oversight Authority dated 26 March 2021, the fee information for the reporting period regarding the services received from the independent auditor or independent audit firm is given in the table below over VAT excluded amounts.

	Current Period 31 December 2023	Prior Period 31 December 2022
Independent Audit Fee for the Reporting Period	2.689	1.517
Fees for Tax Advisory Services	477	297
Fee for Other Assurance Services	1.994	-
Fee for Services Other than Independent Audit	-	-
Total	**5.160**	**1.814**

i) Explanation on profit/loss for the period for continued and discontinued operations before tax:

The operating income of the Group for the year ended 31 December 2023 is TL 10.432.585 (31 December 2022: TL 6.900.919). The Group's provision for loans and other receivables is TL 603.323 (31 December 2022: TL 393.440), other operating expenses are TL 1.906.012 (31 December 2022: TL 1.228.828), profit before tax is TL 5.368.345 (31 December 2022: TL 3.982.282 profit before tax).

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

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

j) Information on tax provision for continuing and discontinued operations:

As of 31 December 2023, the current tax provision expense of the Group is TL 1.105.646 (31 December 2022: TL 628.960 expense) and deferred tax income is TL 41.409 (31 December 2022: TL 286.457 expense).

k) 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.

l) 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:

In the period ended on 31 December 2023, net interest income takes an important place among income items with TL 2.506.467 (31 December 2022: TL 3.218.074), net fee and commission incomes with TL 1.311.029 (31 December 2022: TL 931.470). Fees and commission income from cash loans are shown in net interest income. Considering the distribution within the interest income, the most important sources of the Bank's interest income are the interests received from loans, securities and the interbank money market. The largest part of the interest expenses consists of the interests paid to the deposits and the interests given to the loans used. The most important part of commission income is the commissions received from credit card transactions and other banking activities.

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.

m) Explanation on other items stated in the income statement

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

	Current Period 31 December 2023	**Prior Period 31 December 2022**
Credit Card Transactions	414.975	270.253
Insurance Commissions	92.217	61.917
Banking Transactions	59.574	23.004
TEFAS Fund Platforms	193.548	142.744
Other Fee and Commissions	461.512	252.492
Total	**1.221.826**	**750.410**

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

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

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

As of 31 December 2023, an increase of TL 131.783 in securities valuation difference item (31 December 2022: an increase of TL 100.572) consists of financial assets at fair value through other comprehensive income. The amount in question consists of interest income calculated using the effective interest rate method of debt securities from financial assets whose fair value differences are reflected in other comprehensive income, fair value differences and costs of stocks, fair value differences and deferred tax effects of these transactions.

As of 31 December 2023, the increase in the amount of TL 31.211 (31 December 2022: TL 211.280 increase) resulting from the re-measurement of financial assets at fair value through other comprehensive income after the effect of current period and deferred tax expense has been netted off. shown as current period movement in the increase fund account.

2. Information on increases in cash flow hedges:

As of 31 December 2023, the Group has no cash flow hedge accounting (31 December 2022: None).

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:

Loss amounting to TL 7.172 (31 December 2022: TL 10.886 loss) arising from the remeasurement of investments in financial assets at fair value through other comprehensive income for the year ended 31 December 2023 due to the sale of the related financial asset at fair value through other comprehensive income was transferred from equity to net profit/loss account.

2. Information on cash flow hedges:

As of 31 December 2023, the Group has no cash flow hedge accounting (31 December 2022: None).

c) Information on dividend distribution:

None.

d) Information on issuance of common stock:

The Group has no issuance of common stock as of 31 December 2023 and 31 December 2022.

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

As of 31 December 2023 and 31 December 2022, the adjustments made for prior periods do not have any effect on opening balance sheets of the Group.

f) Offsetting prior period's losses:

As of 31 December 2023 and 31 December 2022, the Group does not have any offset transactions relating to previous year's losses.

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

VI. EXPLANATIONS AND NOTES RELATED TO 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:

Operating profit amounting to TL 4.709.156 (31 December 2022: TL 2.076.802 profit), consists of interest income amounting to TL 15.731.411 (31 December 2022: TL 5.907.435), interest expense amounting to TL 12.007.411 (31 December 2022: TL 3.426.000), personnel expenses amounting to TL 2.283.171 (31 December 2022: TL 1.060.369) and net income other than interest amounting to TL 3.268.327 (31 December 2022: TL 475.736 net income other than interest).

Net increase in other liabilities amounting to TL 992.116 (31 December 2022: TL 2.351.156 decrease) consists mainly of changes in miscellaneous payables, subordinated debts, other liabilities and taxes and other duties payable.

Effect of change in exchange rate on cash and cash equivalents is calculated approximately TL 40.724 increase (31 December 2022: TL 8.699 increase) as of 31 December 2023.

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

The Group has no cash flow arising from acquisition of associates, subsidiaries and other investments as of 31 December 2023 and 31 December 2022.

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

The Group has no cash flow arising from disposals of associates, subsidiaries and other investments as of 31 December 2023 and 31 December 2022.

d) Information on cash and cash equivalents:

Cash and cash equivalents at the beginning of the period:

	Current Period 31 December 2023	Prior Period 31 December 2022
Cash	2.251.417	1.810.774
Interbank Money Market Placements	25.590.030	26.088.612
CBRT, Banks and Other Financial Institutions	1.229.698	2.024.787
Total Cash and Cash Equivalents	**29.071.145**	**29.924.173**

Cash and cash equivalents at the end of the period:

	Current Period 31 December 2023	Prior Period 31 December 2022
Cash	2.433.424	2.251.417
Interbank Money Market Placements	37.209.180	25.590.030
CBRT, Banks and Other Financial Institutions	19.653.245	1.229.698
Total Cash and Cash Equivalents	**59.295.849**	**29.071.145**

e) Additional information:

None.

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

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

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

Current Period – 31 December 2023:

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Individuals and Legal Entities in the Risk Group	
Loans	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Opening Balance	-	-	-	632.336	477	-
Closing Balance	-	-	-	999.063	685	-
Interest and Commission Income	-	-	-	48.082	200	-

Prior Period - 31 December 2022:

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Individuals and Legal Entities in the Risk Group	
Loans	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Opening Balance	-	-	-	539.102	172	-
Closing Balance	-	-	-	632.336	477	-
Interest and Commission Income	-	-	-	23.211	32	-

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

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
Deposits	**Current Period 31 December 2023**	**Current Period 31 December 2023**	**Current Period 31 December 2023**
Opening Balance	-	353.053	82.750
Closing Balance	-	283.924	46.447
Interest expense on deposits	-	99.811	9.116

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
Deposits	**Prior Period 31 December 2022**	**Prior Period 31 December 2022**	**Prior Period 31 December 2022**
Opening Balance	5.032	180.832	69.784
Closing Balance	-	353.053	82.750
Interest expense on deposits	-	174	987

3. Information on forward transactions, option agreements and similar transactions between the Group's risk group:

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period 31 December 2023	**Current Period 31 December 2023**	**Current Period 31 December 2023**
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	41.316.378	10.127
Closing Balance	-	106.119.719	-
Total Profit/Loss	-	214.753	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

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

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

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period 31 December 2022	**Prior Period 31 December 2022**	**Prior Period 31 December 2022**
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	37.211.717	-
Closing Balance	-	41.316.378	10.127
Total Profit/Loss	-	109.985	6
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

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

As of 31 December 2023, payment amounting to TL 163.227 is made to the Board of Directors and top executives of the Group (31 December 2022: TL 96.845).

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:

	Number	Number of Employees			
Domestic Branch	44	1.578			
			Country of Incorporation		
Foreign Representation Office	-	-	-		
				Total Assets	**Statutory Share Capital**
Foreign branch	-	-	-	-	-
Off-shore Banking Region Branches	-	-	-	-	-

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON BANK'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The consolidated financial statements for the year-end period ended 31 December 2023 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent audit report dated 6 March 2024 is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.