HSBC BANK A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT AT MARCH 31, 2020

(Convenience translation of publicly announced consolidated financial statements and independent auditor's limited review report at March 31, 2020, See Note I. of Section Three)

Güney Bağımsız Denetim ve SMMM A.Ş.
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AUDITOR'S REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

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

Introduction

We have reviewed the consolidated balance sheet of HSBC Bank A.Ş. ("the Bank") and its subsidiaries (collectively referred to as the "Group") at March 31, 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the financial position of HSBC Bank A.Ş. and its consolidated subsidiaries at March 31, 2020 and the results of its operations and its cash flows for the three-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation

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

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

Damla Harman
Partner, SMMM

June 11, 2020
İstanbul, Turkey

HSBC

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

CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş. AND ITS FINANCIAL AFFILIATES AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

Address of Bank's Headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli 34394, İstanbul
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Web-site : www.hsbc.com.tr
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The consolidated financial report for the three month period prepared in accordance with Communiqué on the Financial Statements and the Related Disclosures and Footnotes to be Publicly Announced as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF 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 AUDITOR'S LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

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

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

Hamit Aydoğan Vice President of the Executive Board	Süleyman Selim Kervancı General Manager	Burçin Ozan Financial Reporting Assistant General Manager	Yerliozan Kül Group Head
	Robert Adrian Underwood Head of Audit Committee	Neslihan Erkazancı Member of Audit Committee	

Information about the responsible personnel whom questions may be asked:

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

As of March 31, 2020, the Parent Bank's nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. Based on the approval of the Banking Regulation and Supervision Agency dated June 21, 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Parent Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated June 29, 2017. As of March 31, 2020 there has been no changes regarding the Parent Bank's capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

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

Title	Name	Responsibility	Education
Chairman of the Board:	David Gordon ELDON	Chairman	Undergraduate
Vice President of the Executive Board:	Hamit AYDOĞAN	Deputy Chairman	Undergraduate
Board of Directors:	Süleyman Selim KERVANCI	Member, CEO	Graduate
	Robert Adrian UNDERWOOD	Member	Undergraduate
	Mehmet Gani SÖNMEZ	Member	Undergraduate
	Edward Michael FLANDERS	Member	Undergraduate
	Neslihan ERKAZANCI	Member	Undergraduate
	Martin François Christian TRICAUD	Member	Phd
CEO:	Süleyman Selim KERVANCI	CEO	Graduate
Head of Internal Audit:	Umut PASİN	Head of Internal Audit	Undergraduate
Deputy CEO:	Rüçhan ÇANDAR	Technology and Services	Graduate
Executive Vice Presidents:	Anthony WRIGHT	Credit and Risk	Graduate
	Yiğit ARSLANCIK	Corporate and Investment Banking	Graduate
	Ayşe YENEL	Retail Banking	Undergraduate
	Burçin OZAN	Finance	Undergraduate
	Rüçhan ÇANDAR	Technology and Services	Graduate
	Funda TEMOÇİN AYDOĞAN	Human Resources	Undergraduate
	İbrahim Namık AKSEL	Treasury and Capital Markets	Graduate
	Fatoş Pınar FADILLIOĞLU	Head of Corporate Communication	Undergraduate
	Tolga Tüzüner	Head of Legal Advisor	Graduate
Audit Committee:	Robert Adrian UNDERWOOD	Head of the Audit Committee	Graduate
	Neslihan ERKAZANCI	Member of the Audit Committee	Undergraduate

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

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

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

(*) The amounts are expressed in full TL.

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

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

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

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

As of March 31, 2020, the Parent Bank has 77 branches dispersed throughout the country (December 31, 2019: 77 branches).

As of March 31, 2020, the number of employees of the Group is 2.046 (December 31, 2019: 2.063).

VI. OTHER MATTERS

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

VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE

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

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

The consolidated financial statements 8 November 2006 and 26340 in the Official Gazette published the "Bank Communiqué on Preparation of Consolidated Financial Statements" and "Consolidated Turkey to the Financial Statements Financial Reporting Standards" ("IFRS 10") was prepared in accordance with the provisions.

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

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2020 AND DECEMBER 31, 2019 (STATEMENT OF FINANCIAL POSITION)

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I.	BALANCE SHEET	Note (Section Five I)	Reviewed Current Period (31.03.2020)			Audited Prior Period (31.12.2019)		
	ASSETS		**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (NET)**		**4.521.923**	**14.754.545**	**19.276.468**	**7.006.588**	**10.436.516**	**17.443.104**
1.1	**Cash and Cash Equivalents**		**2.117.727**	**13.141.472**	**15.259.199**	**4.880.482**	**9.236.495**	**14.116.977**
1.1.1	Cash and Balances with Central Bank	(I-a)	277.167	3.218.710	3.495.877	558.602	2.553.119	3.111.721
1.1.2	Banks	(I-c)	519	710.634	711.153	390	10.974	11.364
1.1.3	Money Market Placements		1.840.457	9.212.128	11.052.585	4.321.936	6.672.402	10.994.338
1.1.4	Expected Loss Provision (-)		416	-	416	446	-	446
1.2	**Financial Assets at Fair Value Through Profit or Loss**	**(I-b)**	**271.794**	**43.106**	**314.900**	**408.920**	**89.407**	**498.327**
1.2.1	Government Debt Securities		266.227	18.146	284.373	403.353	62.186	465.539
1.2.2	Equity Instruments		5.567	24.960	30.527	5.567	27.221	32.788
1.2.3	Other Financial Assets		-	-	-	-	-	-
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(I-d)**	**1.636.464**	**-**	**1.636.464**	**1.230.698**	**-**	**1.230.698**
1.3.1	Government Debt Securities		1.636.464	-	1.636.464	1.230.698	-	1.230.698
1.3.2	Equity Instruments		-	-	-	-	-	-
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	**Derivative Financial Assets**	**(1-b)**	**495.938**	**1.569.967**	**2.065.905**	**486.488**	**1.110.614**	**1.597.102**
1.4.1	Derivative Financial Assets at Fair Value Through Profit or Loss		495.938	1.569.967	2.065.905	486.488	1.110.614	1.597.102
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-	-	-	-
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**7.884.411**	**9.617.963**	**17.502.374**	**7.984.503**	**8.310.861**	**16.295.364**
2.1	**Loans**	**(I-e)**	**9.244.400**	**9.617.963**	**18.862.363**	**9.263.673**	**8.310.861**	**17.574.534**
2.2	**Lease Receivables**	**(I-j)**	**-**	**-**	**-**	**-**	**-**	**-**
2.3	**Factoring Receivables**		**137.395**	**-**	**137.395**	**126.556**	**-**	**126.556**
2.4	**Other Financial Assets Measured at Amortized Cost**	**(I-f)**	**-**	**-**	**-**	**-**	**-**	**-**
2.4.1	Government Debt Securities		-	-	-	-	-	-
2.4.2	Other Financial Assets		-	-	-	-	-	-
2.5	**Expected Credit Losses (-)**		**1.497.384**	**-**	**1.497.384**	**1.405.726**	**-**	**1.405.726**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	**(I-p)**	**1.904**	**-**	**1.904**	**2.095**	**-**	**2.095**
3.1	Held for Sale Purpose		1.904	-	1.904	2.095	-	2.095
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**220**	**-**	**220**	**220**	**-**	**220**
4.1	**Investments in Associates (Net)**	**(I-g)**	**-**	**-**	**-**	**-**	**-**	**-**
4.1.1	Accounted Under Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		-	-	-	-	-	-
4.2	**Subsidiaries (Net)**	**(I-h)**	**220**	**-**	**220**	**220**	**-**	**220**
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		220	-	220	220	-	220
4.3	**Entities under Common Control (Joint Venture) (Net)**	**(I-i)**	**-**	**-**	**-**	**-**	**-**	**-**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**	**(I-l)**	**217.059**	**-**	**217.059**	**224.791**	**-**	**224.791**
VI.	**INTANGIBLE ASSETS (Net)**	**(I-m)**	**172.376**	**-**	**172.376**	**168.439**	**-**	**168.439**
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		172.376	-	172.376	168.439	-	168.439
VII.	**INVESTMENT PROPERTY (Net)**	**(I-n)**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSET**	**(I-o)**	**247.728**	**-**	**247.728**	**211.012**	**-**	**211.012**
X.	**OTHER ASSETS**	**(I-r)**	**173.933**	**371.482**	**545.415**	**122.618**	**491.226**	**613.844**
	TOTAL ASSETS		**13.219.554**	**24.743.990**	**37.963.544**	**15.720.266**	**19.238.603**	**34.958.869**

The accompanying explanations and notes set out on pages 14 to 86 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2020 AND DECEMBER 31, 2019 (STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET

		Note	Reviewed Current Period (31.03.2020)			Audited Prior Period (31.12.2019)		
	LIABILITIES	**(Section Five II)**	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**(II-a)**	**8.673.095**	**21.314.896**	**29.987.991**	**7.159.651**	**20.580.614**	**27.740.265**
II.	**FUNDS BORROWED**	**(II-d)**	-	**2.176**	**2.176**	-	**30.720**	**30.720**
III.	**MONEY MARKET BALANCES**	**(II-c)**	**100.024**	-	**100.024**	-	-	-
IV.	**MARKETABLE SECURITIES ISSUED (Net)**		-	-	-	-	-	-
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)**	**419.334**	**1.638.278**	**2.057.612**	**464.612**	**975.820**	**1.440.432**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		419.334	1.638.278	2.057.612	464.612	975.820	1.440.432
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-	-	-	-
VIII.	**FACTORING LIABILITIES**		-	-	-	-	-	-
IX.	**LEASE LIABILITIES**	**(II-f)**	**90.297**	**10.092**	**100.389**	**113.371**	**11.022**	**124.393**
X.	**PROVISIONS**	**(II-h)**	**176.374**	**1.469**	**177.843**	**168.980**	**1.307**	**170.287**
10.1	Restructuring Provisions		2.754	-	2.754	4.114	-	4.114
10.2	Reverse for Employee Benefits		66.122	-	66.122	67.818	-	67.818
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		107.498	1.469	108.967	97.048	1.307	98.355
XI.	**CURRENT TAX LIABILITY**	**(II-i)**	**123.759**	-	**123.759**	**34.039**	-	**34.039**
XII.	**DEFERRED TAX LIABILITY**	**(II-i)**	-	-	-	-	-	-
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**(II-j)**	-	-	-	-	-	-
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(II-k)**	-	**1.395.781**	**1.395.781**	-	**1.337.281**	**1.337.281**
14.1	Loans		-	1.395.781	1.395.781	-	1.337.281	1.337.281
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**	**(II-e)**	**528.159**	**206.839**	**734.998**	**765.993**	**173.594**	**939.587**
XVI.	**SHAREHOLDERS’ EQUITY**	**(II-l)**	**3.282.971**	-	**3.282.971**	**3.141.865**	-	**3.141.865**
16.1	Paid-in capital		652.290	-	652.290	652.290	-	652.290
16.2	Capital Reserves		272.693	-	272.693	272.693	-	272.693
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		272.693	-	272.693	272.693	-	272.693
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(18.961)	-	(18.961)	(24.980)	-	(24.980)
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		10.964	-	10.964	26.399	-	26.399
16.5	Profit Reserves		2.215.463	-	2.215.463	1.736.591	-	1.736.591
16.5.1	Legal Reserves		201.483	-	201.483	198.999	-	198.999
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		2.013.980	-	2.013.980	1.537.592	-	1.537.592
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit Or Loss		150.522	-	150.522	478.872	-	478.872
16.6.1	Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Year Profit/Loss		150.522	-	150.522	478.872	-	478.872
16.7	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		**13.394.013**	**24.569.531**	**37.963.544**	**11.848.511**	**23.110.358**	**34.958.869**

The accompanying explanations and notes set out on pages 14 to 86 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF MARCH 31, 2020 AND DECEMBER 31, 2019

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

II.	OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed Current Period (31.03.2020) TL	FC	Total	Audited Prior Period (31.12.2019) TL	FC	Total
A.	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**37.053.279**	**103.329.442**	**140.382.721**	**40.296.122**	**94.305.325**	**134.601.447**
I.	**GUARANTEES AND COLLATERALS**	**(III-a-2,3)**	**1.236.630**	**4.288.930**	**5.525.560**	**1.149.048**	**3.616.378**	**4.765.426**
1.1	Letters of Guarantee		1.213.423	2.013.519	3.226.942	1.125.841	1.741.369	2.867.210
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		1.213.423	2.013.519	3.226.942	1.125.841	1.741.369	2.867.210
1.2	Bank Acceptances		-	368	368	-	1.029	1.029
1.2.1	Import Letter of Acceptance		-	368	368	-	1.029	1.029
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		23.207	2.045.326	2.068.533	23.207	1.655.053	1.678.260
1.3.1	Documentary Letters of Credit		23.207	1.326.777	1.349.984	23.207	984.121	1.007.328
1.3.2	Other Letters of Credit		-	718.549	718.549	-	670.932	670.932
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	229.717	229.717	-	218.927	218.927
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**(III-a-1)**	**6.440.802**	**3.941.329**	**10.382.131**	**5.968.023**	**4.753.441**	**10.721.464**
2.1	Irrevocable Commitments		6.440.802	3.941.329	10.382.131	5.968.023	4.753.441	10.721.464
2.1.1	Forward Asset Purchase and Sale Commitments		2.259.576	3.940.733	6.200.309	1.609.602	4.752.902	6.362.504
2.1.2	Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		227.322	-	227.322	578.715	-	578.715
2.1.5	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Payment Commitment for Checks		16.742	-	16.742	20.119	-	20.119
2.1.8	Tax And Fund Liabilities from Export Commitments		2.286	-	2.286	2.286	-	2.286
2.1.9	Commitments for Credit Card Expenditure Limits		3.385.453	-	3.385.453	3.206.861	-	3.206.861
2.1.10	Commitments for Promotions Related with Credit Cards and Banking Activities		14.820	-	14.820	13.950	-	13.950
2.1.11	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		534.603	596	535.199	536.490	539	537.029
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(III-b)**	**29.375.847**	**95.099.183**	**124.475.030**	**33.179.051**	**85.935.506**	**119.114.557**
3.1	Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1	Fair Value Hedge		-	-	-	-	-	-
3.1.2	Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held for Trading Transactions		29.375.847	95.099.183	124.475.030	33.179.051	85.935.506	119.114.557
3.2.1	Forward Foreign Currency Buy/Sell Transactions		5.153.781	12.199.314	17.353.095	5.511.577	9.157.496	14.669.073
3.2.1.1	Forward Foreign Currency Transactions-Buy		3.897.756	4.691.370	8.589.126	4.346.642	2.997.361	7.344.003
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.256.025	7.507.944	8.763.969	1.164.935	6.160.135	7.325.070
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		12.590.952	68.079.279	80.670.231	14.966.436	63.391.217	78.357.653
3.2.2.1	Foreign Currency Swap-Buy		4.821.210	22.725.773	27.546.983	3.892.839	23.141.100	27.033.939
3.2.2.2	Foreign Currency Swap-Sell		7.769.742	20.735.086	28.504.828	11.073.597	17.570.101	28.643.698
3.2.2.3	Interest Rate Swap-Buy		-	12.309.210	12.309.210	-	11.340.008	11.340.008
3.2.2.4	Interest Rate Swap-Sell		-	12.309.210	12.309.210	-	11.340.008	11.340.008
3.2.3	Foreign Currency, Interest Rate, And Securities Options		11.631.114	12.083.542	23.714.656	12.701.036	11.500.072	24.201.108
3.2.3.1	Foreign Currency Options-Buy		5.815.557	6.041.771	11.857.328	6.350.518	5.750.036	12.100.554
3.2.3.2	Foreign Currency Options-Sell		5.815.557	6.041.771	11.857.328	6.350.518	5.750.036	12.100.554
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	2.737.048	2.737.048	2	1.886.721	1.886.723
B.	**CUSTODY AND PLEDGES SECURITIES (IV+V+VI)**		**548.177.056**	**42.105.215**	**590.282.271**	**449.766.744**	**35.816.881**	**485.583.625**
IV.	**ITEMS HELD IN CUSTODY**		**480.462.220**	**13.041.518**	**493.503.738**	**382.267.676**	**9.991.040**	**392.258.716**
4.1	Customers' Securities Held		163.549	-	163.549	161.637	-	161.637
4.2	Investment Securities Held in Custody		478.557.219	8.882.722	487.439.941	380.565.725	6.698.385	387.264.110
4.3	Checks Received for Collection		2.238	94.728	96.966	4.243	95.029	99.272
4.4	Commercial Notes Received for Collection		134.266	29.581	163.847	130.213	39.467	169.680
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		1.604.948	4.034.487	5.639.435	1.405.858	3.158.159	4.564.017
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGES ITEMS**		**65.921.047**	**18.357.925**	**84.278.972**	**66.025.279**	**16.404.321**	**82.429.600**
5.1	Marketable Securities		51.931	953.252	1.005.183	51.931	862.707	914.638
5.2	Guarantee Notes		34.162	328.708	362.870	34.602	297.485	332.087
5.3	Commodity		667.923	785.617	1.453.540	669.505	726.493	1.395.998
5.4	Warranty		-	-	-	-	-	-
5.5	Real Estate		3.663.055	8.092.887	11.755.942	3.694.067	7.149.704	10.843.771
5.6	Other Pledged Items		61.503.976	8.197.461	69.701.437	61.575.174	7.367.932	68.943.106
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED BILL OF EXCHANGE AND COLLATERALS**		**1.793.789**	**10.705.772**	**12.499.561**	**1.473.789**	**9.421.520**	**10.895.309**
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		**585.230.335**	**145.434.657**	**730.664.992**	**490.062.866**	**130.122.206**	**620.185.072**

The accompanying explanations and notes set out on pages 14 to 86 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED MARCH 31, 2020

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

III.	**STATEMENT OF PROFIT OR LOSS**		**Reviewed**	
	INCOME AND EXPENSE ITEMS	**Note (Section Five IV)**	**Current Period (01.01.2020 – 31.03.2020)**	**Prior Period (01.01.2019 – 31.03.2019)**
I.	**INTEREST INCOME**	**(IV-a)**	**519.251**	**805.755**
1.1	Interest Income on Loans	(IV-a-1)	379.605	606.376
1.2	Interest Received from Reserve Requirements		-	15.366
1.3	Interest Received from Banks	(IV-a-2)	19.631	79.325
1.4	Interest Received from Money Market Transactions		58.104	63.074
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	59.605	37.552
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		24.901	21.543
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		34.704	16.009
1.5.3	Financial Assets at Measured at Amortized Cost		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		2.306	4.062
II.	**INTEREST EXPENSE (-)**	**(IV-b)**	**218.896**	**481.596**
2.1	Interest Expense on Deposits	(IV-b-4)	166.649	391.116
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	22.546	81.967
2.3	Interest Expense on Money Market Transactions		13.715	1.183
2.4	Interest on Securities Issued	(IV-b-3)	-	-
2.5	Interest Expense on Lease		3.215	5.961
2.6	Other Interest Expenses		12.771	1.369
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**300.355**	**324.159**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**111.769**	**117.819**
4.1	Fees and Commissions Received		124.068	128.056
4.1.1	Non-Cash Loans		18.602	15.133
4.1.2	Other	(IV-l)	105.466	112.923
4.2	Fees and Commissions Paid (-)		12.299	10.237
4.2.1	Non-Cash Loans		197	152
4.2.2	Other		12.102	10.085
V.	**DIVIDEND INCOME**	**(IV-c)**	**-**	**6.345**
VI.	**TRADING INCOME/(LOSS) (Net)**	**(IV-d)**	**161.563**	**71.474**
6.1	Trading Gains/(Losses) on Securities		33.355	6.709
6.2	Derivative Financial Transactions Gains/(Losses)		606.231	255.273
6.3	Foreign Exchange Gains/(Losses)		(478.023)	(190.508)
VII.	**OTHER OPERATING INCOME**	**(IV-e)**	**41.253**	**17.494**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**614.940**	**537.291**
IX.	**PROVISION FOR LOAN LOSSES (-)**	**(IV-f)**	**108.751**	**25.730**
X.	**OTHER PROVISION EXPENSES (-)**		**5.438**	**2.229**
XI.	**PERSONNEL EXPENSES (-)**		**130.299**	**123.110**
XII.	**OTHER OPERATING EXPENSES (-)**	**(IV-g)**	**179.080**	**165.941**
XIII.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)**		**191.372**	**220.281**
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)**		**191.372**	**220.281**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**	**(IV-i)**	**(40.850)**	**(47.446)**
18.1	Current Tax Provision		(78.978)	(25.584)
18.2	Deferred Tax Income Effect (+)		-	(21.862)
18.3	Deferred Tax Expense Effect (-)		38.128	-
XIX.	**NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)**	**(IV-j)**	**150.522**	**172.835**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income from Non-Current Assets Held for Resale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
20.3	Other Income From Discontinued Operations		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Expenses for Non-Current Assets Held for Resale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
21.3	Other Expenses From Discontinued Operations		-	-
XXII.	**PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)**		**-**	**-**
XXIII.	**PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Income Effect (+)		-	-
23.3	Deferred Tax Expense Effect (-)		-	-
XXIV.	**NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		**-**	**-**
XXV.	**NET PROFIT/LOSSES (XIX+XXIV)**	**(IV-k)**	**150.522**	**172.835**
	Earnings/Loss per Share		0,002308	0,002650

The accompanying explanations and notes set out on pages 14 to 86 form an integral part of these consolidated financial statements.

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED MARCH 31, 2020 AND MARCH 31, 2019

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Reviewed Current Period (31.03.2020)	Reviewed Prior Period (31.03.2019)
I.	**CURRENT PERIOD INCOME/LOSS**	**150.522**	**172.835**
II.	**OTHER COMPREHENSIVE INCOME**	**(9.416)**	**(10.064)**
2.1	**Not Reclassified Through Profit or Loss**	**6.019**	**5.091**
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	7.540	6.445
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(1.521)	(1.354)
2.2	**Reclassified Through Profit or Loss**	**(15.435)**	**(15.155)**
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	(18.673)	(18.606)
2.2.3	Cash Flow Hedge Income/Loss	(498)	(698)
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	3.736	4.149
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**141.106**	**162.771**

The accompanying explanations and notes set out on pages 14 to 86 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED MARCH 31, 2019
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Reviewed Prior Period March 31, 2019	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Minority Shares	Total Equity
I.	Balances at the Beginning of the Period - December 31, 2018	652.290	-	-	272.693	-	(28.652)	-	-	(46.092)	2.384	1.787.586	-	346.648	2.986.857	-	2.986.857
II.	Corrections According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	(397.643)	-	(397.643)	-	(397.643)
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	(397.643)	-	(397.643)	-	(397.643)
III.	Adjusted Beginning Balance (I+II)	652.290	-	-	272.693	-	(28.652)	-	-	(46.092)	2.384	1.787.586	(397.643)	346.648	2.589.214	-	2.589.214
IV.	Total Comprehensive Income	-	-	-	-	-	5.091	-	-	(14.611)	(544)	-	-	172.835	162.771	-	162.771
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	(50.995)	397.643	(346.648)	-	-	-
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	(50.995)	397.643	(346.648)	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+…..+X+XI)	652.290	-	-	272.693	-	(23.561)	-	-	(60.703)	1.840	1.736.591	-	172.835	2.751.985	-	2.751.985

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Reviewed Current Period March 31, 2020	**Note Section Five**	**Paid-in Capital**	**Share Premium**	**Share Cancel Profits**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Profit/ (Loss)**	**Net Profit/ (Loss)**	**Total Equity Except from Minority Interest**	**Minority Shares**	**Total Equity**
I.	**Balances at the Beginning of the Period - December 31, 2019**		**652.290**	**-**	**-**	**272.693**	**-**	**(24.980)**	**-**	**-**	**26.011**	**388**	**1.736.591**	**-**	**478.872**	**3.141.865**	**-**	**3.141.865**
II.	**Corrections According to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Beginning Balance (I+II)**		**652.290**	**-**	**-**	**272.693**	**-**	**(24.980)**	**-**	**-**	**26.011**	**388**	**1.736.591**	**-**	**478.872**	**3.141.865**	**-**	**3.141.865**
IV.	**Total Comprehensive Income**		-	-	-	-	-	**6.019**	-	-	**(15.047)**	**(388)**	-	-	**150.522**	**141.106**	-	**141.106**
V.	**Capital Increase by Cash**	**(V-a)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase by Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Paid-in capital inflation adjustment difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds to Shares**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Debt Instruments**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increase/Decrease by Other Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**478.872**	-	**(478.872)**	-	-	-
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	478.872	-	(478.872)	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+…..+X+XI)		**652.290**	**-**	**-**	**272.693**	**-**	**(18.961)**	**-**	**-**	**10.964**	**-**	**2.215.463**	**-**	**150.522**	**3.282.971**	**-**	**3.282.971**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED MARCH 31, 2020

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

VI.	**STATEMENT OF CASH FLOWS**	**Note (Section Five VI)**	**Reviewed Current Period (31.03.2020)**	**Reviewed Prior Period (31.03.2019)**
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**	**(VI-a)**	**522.123**	**631.086**
1.1.1	Interest Received	(VI-a)	527.987	849.507
1.1.2	Interest Paid	(VI-a)	(306.839)	(622.570)
1.1.3	Dividend Received		-	-
1.1.4	Fees and Commissions Received		93.338	84.721
1.1.5	Other Income		40.162	17.494
1.1.6	Collections From Previously Written-Off Loans and Other Receivables		26.261	27.087
1.1.7	Cash Payments to Personnel and Service Suppliers	(VI-a)	(187.843)	(118.612)
1.1.8	Taxes Paid		(60.340)	(43.216)
1.1.9	Other		389.397	436.675
1.2	**Changes in Operating Assets and Liabilities Subject to Banking Operations**		**468.257**	**(3.265.666)**
1.2.1	Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		182.270	(186.404)
1.2.2	Net Decrease in Due From Banks		(559.874)	9.172
1.2.3	Net (Increase) in Loans		(1.333.001)	(553.513)
1.2.4	Net (Increase) in Other Assets		21.740	(29.813)
1.2.5	Net Increase in Bank Deposits		388.286	(1.409.622)
1.2.6	Net Increase/(Decrease) in Other Deposits		1.862.820	(25.092)
1.2.7	Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8	Net (Decrease) in Funds Borrowed		(28.544)	(852.914)
1.2.9	Net Increase/(Decrease) in Matured Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(VI-a)	(65.440)	(217.480)
I.	**Net Cash Provided From Banking Operations**		**990.380**	**(2.634.580)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided From Investing Activities**		**(410.752)**	**25.928**
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		(9.184)	-
2.4	Cash Obtained from the Sale of Tangible and Intangible Asset		-	197
2.5	Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(731.009)	-
2.6	Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		344.420	24.795
2.7	Cash Paid for Purchase of Financial Assets at Amortized Cost		-	-
2.8	Cash Obtained From Sale of Financial Assets at Amortized Cost		-	-
2.9	Other		(14.979)	936
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided From Financing Activities**		**(31.181)**	**(20.357)**
3.1	Cash Obtained From Funds Borrowed and Securities Issued		-	-
3.2	Cash Outflow From Funds Borrowed and Securities Issued		-	-
3.3	Equity Instruments Issued		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Lease Liabilities		(31.181)	(20.357)
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**	**(VI-a)**	**33.907**	**52.328**
V.	**Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)**		**582.354**	**(2.576.681)**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**(VI-d)**	**11.874.597**	**13.222.563**
VII.	**Cash and Cash Equivalents at End of the Period**	**(VI-d)**	**12.456.951**	**10.645.882**

The accompanying explanations and notes set out on pages 14 to 86 form an integral part of these consolidated financial statements.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

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

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

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

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"),and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2019 except new regulations specified in Notes VIII.

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

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

I. EXPLANATIONS ON BASIS OF PRESENTATION (CONTINUED)

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

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

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

Changes in Accounting policies and disclosures

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

Explanation for convenience translation into English:

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

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

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

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

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

Analyses that are conducted related to determined risks are being tracked by committees such as the Asset-Liability Committee and the Market Risk Committee and value adding decisions are made. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing. Gains and losses arising from such valuations are recognized in the income statement under the account of "Foreign exchange gains or losses", except for foreign currency, non-performing loans and other foreign currency denominated non-monetary assets and liabilities.

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

III. EXPLANATIONS ON CONSOLIDATED INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Group has no investments in associates as of March 31, 2020. The accompanying consolidated financial statements are prepared in accordance with TFRS 10 "Consolidated and Separate Financial Statements" and BRSA communiqué published on the Official Gazette numbered 26340 and dated November 8, 2006 Non-financial subsidiary of the Bank is HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on December 10, 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide hospitality, catering and private waiting room. As of October 17, 2019, dischargement process of HSBC Ödeme has started.

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

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

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

Classification and measurement of financial instruments

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

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

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

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

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

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

Equity securities, which are classified as financial assets at fair value through profit/loss, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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

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

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders' equity as "Other accumulated comprehensive income that will be reclassified in profit or loss", until the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

During initial recognition an entity can choose in an irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c) Financial Assets Measured in Amortized Cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition, they are carried at "Amortized Cost" using the "effective interest method". As of March 31, 2020 and December 31, 2019, the Group has no marketable securities measured at amortized cost.

d) Loans:

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

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

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES

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

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

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

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

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

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

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

Stage 1:
For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

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

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

Calculation of Expected Credit Losses

The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PDs and LGDs used in the ECL calculation are point in time ("PIT")-based for key portfolios and consider both current conditions and expected cyclical changes.

While the expected credit loss is estimated, three scenarios (baseline scenario, adverse scenario, optimistic scenario) are evaluated. Each of these scenarios was associated with the different PD and LGD.

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

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

Probability of Default (PD)

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs In modeling, factors such as segment information, systematic and non-systematic information are taken into consideration.

It is used internal rating systems for commercial and corporate portfolio to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the individual portfolio include; the behavioral data of the customer and the product in the Parent Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. In the retail portfolio, a structure was constructed on the segment based structure and the distribution of the customers among the predetermined segments. Segments are formed by product-specific variables and product based. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Loss Given Default (LGD)

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

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

Exposure at Default (EAD):

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios. While the expected credit loss is estimated, three scenarios (baseline scenario, bad scenario, optimistic scenario) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

Consideration of the Macroeconomic Factors

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

– Annual percentage change of GDP in USD
– Annual percentage change in revenue growth rate
– Annual change in export amount
– Annual percentage change in USD/TRY
– Unemployment rate
– Inflation rate
– Industrial production index

Stages were determined through the models created using internal information for the Parent Bank simplified method has been applied for other financial institutions.

As of March 31, 2020, the Parent Bank has reflected the possible effects of the COVID-19 outbreak to the estimates and judgments used in the calculation of expected credit losses by using the data that is received with the maximum effort with the best estimation method. Within the light of the aforementioned data, the Parent Bank revised its macroeconomic expectations and weights in the expected credit loss calculation and the calculation which is made by taking into consideration the changes in PD and LGD is reflected in the financial statements as of March 31, 2020. In this context the Parent Bank reflected the annual change rate in housing prices and short-term foreign debt change in USD in order to determine the PD and LGD. The model effects are tardily reflected to the financial statements due to the nature of the events that cause change and the effects of the events occur at different times. Therefore, the Parent Bank has established an additional provisions for the entire loan portfolio for the sector and customers who are considered to have a high impact by performing individual assessments in order to eliminate the timing difference.

This approach, which is preferred in reserve calculations for the first quarter of 2020, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Calculating the Expected Loss Period

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

Significant Increase in Credit Risk

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

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

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

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

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

IX. DERECOGNITION OF FINANCIAL INSTRUMENTS

a) Derecognition of Financial Assets Due to Change In Contractual Terms

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

b) Derecognition of Financial Assets Without Any Change In Contractual Terms

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

c) Derecognition of Financial Liabilities

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

d) Reclassification of Financial Instruments

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

e) Restructuring and Refinancing of Financial Instruments

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

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

IX. DERECOGNITION OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

- The loan, which is restructured in the process of performing-private restructuring loans (need-vehicle-housing), is considered as close monitoring and is followed in close monitoring at the time of restructured loan period.
- Performing-Individual restructuring in the credit card process can be subtracted from close monitoring if paid 12 months from the date of restructuring and paid at least 10% of the restructured / financed principal amount.
- There is no restructuring of loan and credit card related to the non-performing loans.

X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES

None.

XI. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

As of March 31, 2020 and December 31, 2019, the Group has no discontinued operations.

XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

XV. EXPLANATIONS ON PROPERTY AND EQUIPMENT

All property and equipment are measured in accordance with "Property, Plant and Equipment Standard" ("TAS 16") at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value impairment. The costs of the property and equipment purchased before December 31, 2004 or subject to inflation indexation until December 31, 2004. Property and equipment purchased after December 31, 2004 are recognized with their purchase cost in the financial statements. Property and equipment are amortized by using the straight line method based on their useful lives, such as buildings depreciated at rate 2%, vehicles at rates 20%, furniture at rate 20%, and other tangible assets at rates ranging from 2% to 33%. The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item will remain in property and equipment. Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its net sales revenue. Repair and maintenance expenses in order to increase the useful life of the property and equipment are capitalized, other repair and maintenance costs are recognized as expenses. There are no mortgages, pledges or similar precautionary measures on tangible fixed assets.

XVI. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

Explanations on TFRS 16 Leasing Transactions:

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

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

Right of use assets

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

The right use includes the presence of:

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

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

XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

Lease Liabilities

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

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

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

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

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

- Increase the carrying amount to reflect the interest on the lease obligation; and

- Decreases the carrying amount to reflect the lease payments made.

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

Short-term leases and leases of low-value assets

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

Due to the Group's implementation of TFRS 16, rights of use assets classified under tangible assets as of March 31, 2020 amounted to TL 154.273 (December 31, 2019: TL 154.874), lease liability amounted to TL 100.389 (December 31, 2019: TL 124.393), depreciation expense amounted to TL 11.351 (March 31, 2019: TL 7.793) and interest expense amounted to TL 3.215 (March 31, 2019: TL 5.961).

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 Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 4,10% (December 31, 2019: 2,55%).

As of March 31, 2020, actuarial loss amounted to TL 18.961 (December 31, 2019: TL 24.980 loss) is recognized under other income reserves in the financial statements.

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

XX. EXPLANATIONS ON TAXATION

a) Current Tax:

According to the article no. 32 of "Corporate Tax Law" No. 5520 was published in the Official Gazette, No. 26205 dated June 21, 2006, the corporate tax rate is 20%. However, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated December 5, 2017, corporate tax rate applies as 22% for the three year period between 2018 and 2020. Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless there is a profit distribution.

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

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

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

XX. EXPLANATIONS ON TAXATION (Continued)

b) Deferred Tax Asset/Liability:

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

In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The Law regarding amendments on Certain Tax Laws was approved in the Grand National Assembly of Turkey on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to the Law that have been enacted, deferred tax assets and liabilities shall be measured at the tax rate 22% that are expected to apply to these periods when the assets is realized or the liability is settled. From 2021 onwards, deferred tax assets and liabilities were measured by 20% tax rate.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements. After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. As of March 31, 2020, the Group has recognized deferred tax receivables amounting to TL 247.728 as assets (December 31, 2019: Deferred tax receivables amounting to TL 211.012 as assets).

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

c) Transfer Pricing:

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

XXI. EXPLANATIONS ON BORROWINGS

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

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of March 31, 2020 and December 31,2019, the Group has no issued share certificates.

XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of March 31, 2020 and December 31, 2019, the Group has no government incentives.

XXV. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

XXVI. EXPLANATIONS ON TFRS 9 FINANCIAL INSTRUMENTS

The Group has adopted TFRS 9 Financial Instruments (“TFRS 9”) with the exclusion of loan provision calculations, to replace TAS 39 Financial Instruments: Recognition and Measurement as of January 1, 2018, as issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated January 19, 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Group did not early adopt TFRS 9 in previous periods.

As of January 1, 2019, the Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and non-cash loans based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from January 1, 2018.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, expected credit loss which will be calculated for financial assets and hedge accounting.

In accordance with the transition rules option provided by the TFRS 9 "Financial Instruments", the Group is not restated the prior period financial statements and recognized the transition effect of the standard as of January 1, 2019 under equity’s “prior year profit or loss” accounts then The Bank reclassified this effect to extraordinary reserves.

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

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

XXVI. EXPLANATIONS ON TFRS 9 FINANCIAL INSTRUMENTS (Continued)

Each financial assets classified as financial asset at fair value through profit or loss, at amortized cost, or at fair value through profit or loss at initial recognition. For the classification and measurement of financial liabilities, the application of the existing provisions in TAS 39 does not change much.

Explanations on the impact of TFRS 9 implementation of Group is stated below.

Reconciliation of statement of financial position balances as at the transition of TFRS 9

The following table shows the reconciliation of provision of impairment loss as of December 31, 2018 and the new expected credit loss in accordance with TFRS 9 as of January 1, 2019.

Financial Assets[(*)]	Book value before TFRS 9 December 31, 2018	Remeasurements	Book value After TFRS 9 January 1, 2019
Loans	**949.304**	**619.041**	**1.568.345**
Stage 1&2	258.605	665.430	924.035
Stage 3	690.699	(46.389)	644.310
Other Assets	**105.818**	**(102.373)**	**3.445**
Non-Cash Loans	**44.680**	**(20.725)**	**23.955**
Stage 1&2	40.337	(22.689)	17.648
Stage 3	4.343	1.964	6.307
Total	**1.099.802**	**495.943**	**1.595.745**

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

Effects on equity with TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of January 1, 2019 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The amounting to TL 495.943 difference which is an expense between the provision for impairment of the previous period of the Group and the provision for loss that is measured in accordance with TFRS 9 impairment model as of January 1, 2019 is classified as "Extraordinary Reserves" in shareholders' equity.

Deferred tax assets amounting to TL 108.073 and corporate tax loss amounting to TL 9.773 which have been cancelled due to TFRS 9 transition, have been reflected to the opening financials of January 1, 2019 and the related amount has been classified under "Extraordinary Reserves" in shareholders' equity.

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

XXVII. PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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

XXVIII. EARNINGS/LOSS PER SHARE

Earnings per share disclosed in the statement of profit or loss are calculated by dividing net earnings/(loss) for the year to the number of shares.

	Current Period March 31, 2020	**Prior Period March 31, 2019**
Net Earnings/(Loss) for the Period	150.522	172.835
Number of Shares	65.229.000.000	65.229.000.000
Earnings/(Loss) per Share (*)	**0,002308**	**0,002650**

(*) Amounts are expressed in full TL.

XXIX. CASH AND CASH EQUIVALENTS

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

XXX. RELATED PARTIES

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

XXXI. RECLASSIFICATIONS

None.

XXXII. OTHER MATTERS

None.

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

SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

Equity and Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", and "Communiqué on Equities of Banks". As of March 31, 2020, equity of the Group and the Parent Bank is amounting to TL 4.693.397 and TL 4.644.936 respectively, and capital adequacy ratio of the Group and the Parent Bank is 18,75% and 18,61% respectively. As of December 31, 2019 has been in accordance with former regulations, thus equity of the Group and the Parent Bank is amounting to TL 4.824.465 and TL 4.762.444 respectively and the capital adequacy ratio was 20,60% and 20,42% respectively. Capital adequacy ratio of the Group is higher than the minimum rate required by the related regulations.

a) Information About Consolidated Shareholders' Equity Items:

	Current Period March 31, 2020	Amount as per the regulation before 01.01.2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	2.488.156	
Other Comprehensive Income according to TAS	10.964	
Profit	150.522	
Current Period Profit	150.522	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minorities' Share	-	
Common Equity Tier I Capital Before Deductions	**3.301.932**	
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	18.961	
Leasehold Improvements on Operational Leases	33.654	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	172.376	172.376
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	**224.991**	
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	303.430	
Total Common Equity Tier I Capital	**3.380.371**	

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

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

	Current Period March 31, 2020	Amount as per the regulation before 01.01.2014 (*)
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)	**3.380.371**	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.104.458	
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)	259.165	
Total Deductions from Tier II Capital	**1.363.623**	
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 (-)	157	
Total Deductions from Tier II Capital	**157**	
Total Tier II Capital	**1.363.466**	
Total Equity (Total Tier I and Tier II Capital)	**4.743.837**	
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	50.440	
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 March 31, 2020	Amount as per the regulation before 01.01.2014 (*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.693.397	
Total Risk Weighted Assets	25.035.170	
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	13,50	
Consolidated Tier I Capital Ratio (%)	13,50	
Consolidated Capital Adequacy Ratio (%)	18,75	
BUFFERS		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,52	
a) Capital Conservation Buffer Ratio (%)	2,50	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	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 (%)	6,48	
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)	1.037.537	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	259.165	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt Instruments Covered by Temporary Article 4 (effective between January 1, 2018-January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts to be recognized under transition regulations.

Based on the press release made by the BRSA on March 23, 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provision amounts, spot purchase exchange rate can be used in preparation of financial statements as of December 31, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" which acquired before March 23, 2020 may not be included in capital calculation.

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

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

	Prior Period December 31, 2019	Amount as per the regulation before 01.01.2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	2.009.284	
Other Comprehensive Income according to TAS	26.011	
Profit	478.872	
Current Period Profit	478.872	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit		
Minorities' Share	-	
Common Equity Tier I Capital Before Deductions	**3.166.457**	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	24.980	
Leasehold Improvements on Operational Leases	34.569	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	168.439	168.439
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(388)	
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 due to changes in own credit risk on fair value of Bank's liabilities	-	
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 Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
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 common share capital of the entity (amount above 10% threshold)	-	
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	**227.600**	
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	404.572	
Total Common Equity Tier I Capital	**3.343.429**	

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

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

	Prior Period December 31, 2019	Amount as per the regulation before 01.01.2014 (*)
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)	-	
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	-	
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	-	
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)	**3.343.429**	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.249.437	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	244.679	
Total Deductions from Tier II Capital	**1.494.116**	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of 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 (-)	135	
Total Deductions from Tier II Capital	**135**	
Total Tier II Capital	**1.493.981**	
Total Equity (Total Tier I and Tier II Capital)	**4.837.410**	
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	12.945	
Other items to be Defined by the BRSA	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of 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)

	Prior Period December 31, 2019	Amount as per the regulation before 01.01.2014 (*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.824.465	
Total Risk Weighted Assets	23.416.599	
CAPITAL ADEQUACY RATIOS		
Consolidated Common Equity Tier 1 Capital Ratio (%)	14,28	
Consolidated Tier I Capital Ratio (%)	14,28	
Consolidated Capital Adequacy Ratio (%)	20,60	
BUFFERS		
Bank-specific total CET1 Capital Ratio (%) (a+b+c)	2,74	
a) Capital Conservation Buffer Ratio (%)	2,50	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,24	
c) Systematic-important 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 (%)	7,04	
Amounts Lower Than Excesses as per 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% 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 tenthousandtwentyfive limitation)	945.032	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	244.679	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

(*) Amounts to be recognized under transition regulations

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)	1,104
Nominal value of instrument	1,104
Accounting classification of the instrument	Liability –Subordinated Loan
Issuance date of instrument	28.01.2015
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	According to written approval of the BRSA, it can be fully repaid in the 5th year of the loan.
Subsequent call dates, if applicable	None
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	LIBOR + 4,48%
Existence of any dividend payment restriction	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible into equity shares	
If convertible, conversion trigger (s)	In case of the possibility of cancelling the Bank's operational permit or transferring to the Fund; The principal amount and interest payment liabilities of the loan may be terminated in whole or in part in accordance with the decision of the Board in this direction or it may be converted into capital by complying with the required legislation.
If convertible, fully or partially	Fully convertible
If convertible, conversion rate	The conversion rate / value shall be calculated based on the market data in the case of the exercise of the right.
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	
If bonds can be written-down, write-down trigger(s)	-
If bond can be written-down, full or partial	-
If bond can be written-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	After borrowing, before additional capital, same as other contribution capital
In compliance with article number 7 and 8 of " Own fund regulation "	In compliance with the requirements of Article 7 and 8 of “Own fund regulation”
Details of incompliances with article number 7 and 8 of " Own fund regulation"	In compliance with the requirements of Article 7 and 8 of “Own fund regulation”

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

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

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

EQUITY ITEMS	T	T-1	T-2	T-3
Common Equity	3.380.371	3.279.228	3.178.084	3.076.941
Transition process not implemented Common Equity	3.076.941	3.076.941	3.076.941	3.076.941
Tier 1 Capital	3.380.371	3.279.228	3.178.084	3.076.941
Transition process not implemented Tier 1 Capital	3.076.941	3.076.941	3.076.941	3.076.941
Total Capital	4.693.397	4.592.254	4.491.110	4.389.967
Transition process not implemented Equity	4.389.967	4.389.967	4.389.967	4.389.967
TOTAL RISK WEIGHTED AMOUNTS				
Total Risk Weighted Amounts	25.035.170	25.035.170	25.035.170	25.035.170
Capital Adequacy Ratio				
Common Equity	13,50	13,10	12,69	12,29
Transition process not implemented Common Equity Ratio (%)	12,29	12,29	12,29	12,29
Tier 1 Capital	13,50	13,10	12,69	12,29
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12,29	12,29	12,29	12,29
Capital	18,75	18,34	17,94	17,54
Transition process not implemented Capital Adequacy Ratio (%)	17,54	17,54	17,54	17,54
LEVERAGE				
Leverage Ratio Total Risk Amount	47.752.551	47.752.551	47.752.551	47.752.551
Leverage (%)	7,03	6,87	6,66	6,44
Transition process not implemented Leverage Ratio (%)	6,44	6,44	6,44	6,44

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

The Group's assessment process of adequacy of internal capital requirements and capital adequacy policies was prepared in order to describe the assessment process of adequacy of internal capital requirements and capital adequacy policies, and approved by its board of directors in 27 February 2017. The ultimate aim of this internal capital requirements process is to maintain the continuity of capital adequacy under the Parent Bank's strategies, business plan, and scope or in case of changes in developed assumption and methodology, the assessment methodology of internal capital requirements is a developing process, accordingly, the future improvement areas are determined and the working plans are set. Related Application Instruction was last updated on October 24, 2019.

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

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

III. EXPLANATIONS ON CONSOLIDATED COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION

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

IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK

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

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

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

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

c) Management policy for foreign currency risk:

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

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

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

Current Period – March 31, 2020	**USD ($)**	**Euro (€)**
Balance Sheet Date		
Bank Evaluation Rate	6,5741	7,2116
Prior Balance Sheet Date		
March 31, 2020	6,5800	7,2531
March 30, 2020	6,4559	7,1247
March 27, 2020	6,3827	7,0325
March 26, 2020	6,4530	6,9641
March 25, 2020	6,4673	6,9807

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

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

IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

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

As of March 2020, the Group's simple arithmetic average foreign exchange rate for USD is TL 6,3435 (December 2019: TL 5,8610) and exchange rate for Euro is TL 7,000 (December 2019: TL 6,5110).

f) Information related to Group's currency risk:

Current Period – March 31, 2020	**Euro**	**USD**	**Other FC**	**Total**
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1.164.692	1.360.260	693.758	3.218.710
Banks	9.599	689.823	11.212	710.634
Financial Assets at Fair Value through Profit or Loss (Net) (***)	500.024	1.090.380	22.669	1.613.073
Interbank Money Market Placements	-	7.501.379	1.710.749	9.212.128
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	5.373.450	4.257.690	131	9.631.271
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	349.587	21.833	62	371.482
Total Assets	**7.397.352**	**14.921.365**	**2.438.581**	**24.757.298**
Liabilities				
Bank Deposits	6	20	-	26
Foreign Currency Deposits	6.330.947	11.064.881	3.919.042	21.314.870
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	2.176	1.395.781	-	1.397.957
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	3.113	137.930	2.052	143.095
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	493.204	1.212.441	7.938	1.713.583
Total Liabilities	**6.829.446**	**13.811.053**	**3.929.032**	**24.569.531**
Net on Balance Sheet Position (****)	**567.906**	**1.110.312**	**(1.490.451)**	**187.767**
Net Off-Balance Sheet Position (****)	**(614.985)**	**(568.289)**	**1.455.540**	**272.266**
Financial Derivative Assets	13.677.653	20.329.611	3.279.762	37.287.026
Financial Derivative Liabilities	14.292.638	20.897.900	1.824.222	37.014.760
Non-cash Loans	1.409.061	2.511.196	368.673	4.288.930
Prior Period – December 31, 2019				
Total Assets	6.538.659	12.105.458	614.229	19.258.346
Total Liabilities	7.033.694	12.456.343	3.620.321	23.110.358
Net on-Balance Sheet Position	**(495.035)**	**(350.885)**	**(3.006.092)**	**(3.852.012)**
Net off-Balance Sheet Position	**501.101**	**976.514**	**3.042.133**	**4.519.748**
Financial Derivative Assets	11.806.580	19.194.480	5.145.378	36.146.438
Financial Derivative Liabilities	11.305.479	18.217.966	2.103.245	31.626.690
Non-cash Loans	1.299.447	1.936.838	380.093	3.616.378

(*) As of March 31, 2020, total loans amount consists foreign indexed loans amounting to TL 13.308 (December 31, 2019: TL 19.743).
(**) As of March 31, 2020, Other liabilities consists derivative financial liabilities amounting to TL 1.638.278 (December 31, 2019:TL 975.820).
(***) As of March 31, 2020, financial assets at fair value through profit or loss consists derivative financial assets amounting to TL 1.569.967 (December 31, 2019: 1.110.614).
(****) It is consist of long positions on the balance sheet for stage 1&2 foreign currency expected credit losses in accordance with TFRS 9.

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

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

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

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

Current Period – March 31, 2020	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	-	-	-	-	-	3.495.518	3.495.518
Banks (*)	671.209	-	-	-	-	39.929	711.138
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	327.821	354.067	681.066	380.270	607.054	30.527	2.380.805
Interbank Money Market Placements (*)	11.052.543	-	-	-	-	-	11.052.543
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	652.652	938.005	45.807	-	1.636.464
Loans	6.552.906	1.778.763	3.503.564	4.855.667	606.337	205.137	17.502.374
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	843	-	-	288.788	-	895.071	1.184.702
Total Assets	**18.605.322**	**2.132.830**	**4.837.282**	**6.462.730**	**1.259.198**	**4.666.182**	**37.963.544**
Liabilities							
Bank Deposits	442.128	-	-	-	-	181.536	623.664
Other Deposits	16.695.360	3.338.905	552.148	145	-	8.777.769	29.364.327
Funds from Interbank Money Market	100.024	-	-	-	-	-	100.024
Miscellaneous Payables	-	-	-	-	-	366.294	366.294
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	-	-	1.395.781	-	-	2.176	1.397.957
Other Liabilities (**) (***)	338.802	252.984	903.019	736.145	559.939	3.320.389	6.111.278
Total Liabilities	**17.576.314**	**3.591.889**	**2.850.948**	**736.290**	**559.939**	**12.648.164**	**37.963.544**
Balance Sheet Long Position	1.029.008	-	1.986.334	5.726.440	699.259	-	9.441.041
Balance Sheet Short Position	-	(1.459.059)	-	-	-	(7.981.982)	(9.441.041)
Off-Balance Sheet Long Position	-	60.247	-	-	-	-	60.247
Off-Balance Sheet Short Position	(55.082)	-	(79.450)	(1.263)	-	-	(135.795)
Total Position	**973.926**	**(1.398.812)**	**1.906.884**	**5.725.177**	**699.259**	**(7.981.982)**	**(75.548)**

(*) 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 416.

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

(***) Shareholders' equity is presented under "Other Liabilities" item in "Non- Interest Bearing".

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period – December 31, 2019	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-	-	3.111.287	3.111.287
Banks	14	-	-	-	-	11.347	11.361
Financial Assets at Fair Value Through Profit or Loss (Net) (*)	171.264	606.601	302.726	580.485	401.565	32.788	2.095.429
Interbank Money Market Placements	10.994.329	-	-	-	-	-	10.994.329
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	498.825	482.253	249.620	-	1.230.698
Loans	6.428.441	1.316.312	2.982.240	4.738.816	609.071	220.484	16.295.364
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.052	-	51	244.797	-	974.501	1.220.401
Total Assets	**17.595.100**	**1.922.913**	**3.783.842**	**6.046.351**	**1.260.256**	**4.350.407**	**34.958.869**
Liabilities							
Bank Deposits	107.446	-	-	-	-	127.864	235.310
Other Deposits	18.415.927	3.242.756	394.864	5.358	-	5.446.050	27.504.955
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	449.882	449.882
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	1.337.281	-	-	-	-	30.720	1.368.001
Other Liabilities (**)	76.474	531.032	372.427	658.415	552.927	3.209.446	5.400.721
Total Liabilities	**19.937.128**	**3.773.788**	**767.291**	**663.773**	**552.927**	**9.263.962**	**34.958.869**
Balance Sheet Long Position	-	-	3.016.551	5.382.578	707.329	-	9.106.458
Balance Sheet Short Position	(2.342.028)	(1.850.875)	-	-	-	(4.913.555)	(9.106.458)
Off-Balance Sheet Long Position	60.417	27.581	-	11.982	-	-	99.980
Off-Balance Sheet Short Position	-	-	(19.106)	-	-	-	(19.106)
Total Position	**(2.281.611)**	**(1.823.294)**	**2.997.445**	**5.394.560**	**707.329**	**(4.913.555)**	**80.874**

(*) Shareholders' equity is presented under "Other Liabilities" item in "Non- Interest Bearing".

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

(***) Shareholders' equity is presented under "Other Liabilities" item in "Non- Interest Bearing".

b) Effective Average Interest Rates For Monetary Financial Instruments:

Current Period – March 31, 2020	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	-	0,07	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	4,70	7,35	-	11,78
Interbank Money Market Placements	-	0,02	-	9,07
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	12,37
Loans	4,20	5,75	-	15,40
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	6,94
Other Deposits	0,21	0,64	-	9,02
Funds From Interbank Money Market	-	-	-	8,75
Miscellaneous Payables	-	-	-	-
Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	-	6,36	-	-

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

V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period – December 31, 2019	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	3,29	5,82	-	9,27
Interbank Money Market Placements	-	1,55	-	11,40
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	13,83
Loans	4,23	6,33	-	17,47
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	5,27
Other Deposits	0,40	1,52	-	9,64
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	-	7,51	-	-

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

a. Position risk of equity securities in banking book:

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

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

Information about the liquidity risk management including factors such as risk capacity of the Parent Bank, responsibilities and the structure of liquidity risk management, reporting of the liquidity risk within the 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.

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

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

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

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

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

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

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

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

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

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

Information on liquidity risk mitigation techniques:

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

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

Explanation of the usage of stress test:

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

General Information on liquidity emergency and contingency plans:

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

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the Parent Bank within this scope, liquidity stress tests have been launched by taking consideration of possible liquidity outflows and term-based cash flow changes, at the same time daily monitoring market variables and liquidity movements reported to the top management. Although a flexibility provided to comply with the minimum ratios of the Liquidity Coverage Ratio (LCR) according to the regulation published by the BRSA on March 26th, 2020, the Parent Bank, within the scope of current risk appetite, manages high quality liquid assets in accordance with the internal liquidity coverage ratio (LCR) limit. The Parent Bank sources of funds are formed of customer deposits substantially and the need for funding to be provided from interbank markets is at a minimum. Within the scope of stress tests shared with the executives, without providing any new funds from the market, considering possible utilisation requests such as possible late payments on loans which are subject in LCR and deposit outflows, restructing or deferment requests, irrevocable and revocable commitments which are offered to the customers. In this context, it has been measured for how long they could afford the cumulative cash outflows. As a results of the scenarios, there is no foreseeable risk for LCR or net liquid position.

a) Liquidity coverage rate:

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

Liquidity coverage rate is calculated by dividing high quality liquid assets that bank owns to net cash outflows with maturity of 1 month. Reserve requirements kept by Central Bank of the Republic of Turkey (CBRT), reverse repurchase agreements, securities that are not subject to repurchase/collateral held for providing liquidity, corporate and bank deposits that may cause high cash outflows, non-deposit borrowings that are became due and receivables from banks form the most important components which affect the results of liquidity coverage rate due to the liquidity of the assets, having high volume in net cash outflows and having high rate of consideration. The ratio may fluctuate periodically due to reasons listed below;

- Transfer of the short-term liquidity to Money markets instead of debt instruments issued by CBRT based on market conditions.
- Fluctuations of bank and corporate deposits that are highly considered in fund resources.
- Fluctuations that may occur due to the aging of borrowings.
- Less than 1 month remaining maturity of cash inflows/outflows resulted specifically from FC derivative transactions.

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

Explanation regarding the components of high quality liquid assets:

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

Components density of fund resources in all funds:

The Parent Bank's founding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for founding consists 79% of total liabilities.

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

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

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

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

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

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

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
Current Period – 31.03.2020	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			13.273.362	10.166.992
Cash Outflows				
Real person and retail deposits	19.071.854	15.290.595	1.826.841	1.529.060
Stable deposits	1.606.892	-	80.345	-
Less stable deposits	17.464.962	15.290.595	1.746.496	1.529.060
Unsecured debts other than real person and retail deposits	8.906.496	4.787.219	4.427.760	2.046.684
Operational deposits	-	-	-	-
Non-operational deposits	8.224.328	4.754.523	3.745.592	2.013.988
Other unsecured debts	682.168	32.696	682.168	32.696
Secured debts	-	-	-	-
Other cash outflows	1.764.650	4.328.920	1.764.650	4.328.920
Derivative liabilities and collateral completion liabilities	1.764.650	4.328.920	1.764.650	4.328.920
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	9.696.424	3.958.182	1.026.813	592.137
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			**9.046.064**	**8.496.801**
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	5.246.603	1.942.424	3.762.149	1.528.409
Other cash inflows	219.497	3.750.465	219.497	3.750.465
TOTAL CASH INFLOWS	**5.466.100**	**5.692.889**	**3.981.646**	**5.278.874**
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			**13.273.362**	**10.166.992**
TOTAL NET CASH OUTFLOWS			**5.064.418**	**3.217.927**
LIQUIDITY COVERAGE RATIO (%)			**262,09**	**315,95**

(*) 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 - 31.03.2020	
	TL+FC	**FC**
Highest (%)	466,52	494,54
Date	16.03.2020	06.03.2020
Lowest (%)	206,71	229,03
Date	21.01.2020	16.01.2020
Average (%)	262,09	312,95

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

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

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
Prior Period – 31.12.2019	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			12.564.013	7.186.159
Cash Outflows				
Real person and retail deposits	18.876.082	14.973.377	1.806.283	1.497.338
Stable deposits	1.626.495	-	81.324	-
Less stable deposits	17.249.587	14.973.377	1.724.959	1.497.338
Unsecured debts other than real person and retail deposits	8.520.815	4.146.351	4.236.356	1.750.781
Operational deposits	-	-	-	-
Non-operational deposits	7.961.652	4.119.819	3.677.193	1.724.249
Other unsecured debts	559.163	26.532	559.163	26.532
Secured debts	-	-	-	-
Other cash outflows	1.744.653	3.399.971	1.744.653	3.399.971
Derivative liabilities and collateral completion liabilities	1.744.653	3.399.971	1.744.653	3.399.971
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	9.127.137	3.434.557	940.115	507.869
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			**8.727.407**	**7.155.959**
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.754.839	1.537.251	3.049.665	1.122.648
Other cash inflows	320.709	5.613.299	320.709	5.613.299
TOTAL CASH INFLOWS	**5.075.548**	**7.150.550**	**3.370.374**	**6.735.947**
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			**12.564.013**	**7.186.159**
TOTAL NET CASH OUTFLOWS			**5.357.033**	**1.788.990**
LIQUIDITY COVERAGE RATIO (%)			**234,53**	**401,69**

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

Table below represents lowest, highest and average liquidity coverage rates for year 2019.

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

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

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

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

Current Period – March 31, 2020	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated	Total
Assets								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT(****)	705.386	2.790.132	-	-	-	-	-	3.495.518
Banks (****)	39.929	671.209	-	-	-	-	-	711.138
Financial Assets at Fair Value through Profit or Loss (Net) (***)	-	216.814	137.591	384.795	713.776	897.302	30.527	2.380.805
Interbank Money Market Placements(****)	-	11.052.543	-	-	-	-	-	11.052.543
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	415.580	1.175.077	45.807	-	1.636.464
Loans	-	6.170.031	1.943.110	3.393.093	5.194.539	596.464	205.137	17.502.374
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets (*)	-	843	-	-	288.788	-	895.071	1.184.702
Total Assets	**745.315**	**20.901.572**	**2.080.701**	**4.193.468**	**7.372.180**	**1.539.573**	**1.130.735**	**37.963.544**
Liabilities								
Bank Deposits	181.536	442.128	-	-	-	-	-	623.664
Other Deposits	8.777.769	16.695.360	3.338.905	552.148	145	-	-	29.364.327
Funds Provided from Other Financial Institutions	-	100.024	-	-	-	-	-	100.024
Money Market Borrowings	-	-	-	-	-	-	366.294	366.294
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	2.176	-	-	-	1.395.781	-	-	1.397.957
Other Liabilities (**) (***)	-	218.116	130.063	686.579	931.215	831.428	3.313.877	6.111.278
Total Liabilities	**8.961.481**	**17.455.628**	**3.468.968**	**1.238.727**	**2.327.141**	**831.428**	**3.680.171**	**37.963.544**
Net Liquidity Excess / (Gap)	**(8.216.166)**	**3.445.944**	**(1.388.267)**	**2.954.741**	**5.045.039**	**708.145**	**(2.549.436)**	**-**
Net Off Balance Sheet Position	**-**	**(60.786)**	**(798)**	**(20.069)**	**6.105**	**-**	**-**	**(75.548)**
Derivative Financial Assets	-	21.089.846	6.734.114	14.559.654	15.835.116	6.212.043	-	64.430.773
Derivative Financial Liabilities	-	21.150.632	6.734.912	14.579.723	15.829.011	6.212.043	-	64.506.321
Non-cash Loans	4.792.573	52.248	234.809	385.791	59.592	547	-	5.525.560
Prior Period – December 31, 2019								
Total Assets	886.630	19.247.641	1.409.183	3.990.024	6.627.229	1.570.389	1.227.773	34.958.869
Total Liabilities	5.604.634	18.568.254	3.361.779	726.945	858.427	2.187.799	3.651.031	34.958.869
Net Liquidity Excess / (Gap)	**(4.718.004)**	**679.387**	**(1.952.596)**	**3.263.079**	**5.768.802**	**(617.410)**	**(2.423.258)**	**-**
Net Off-Balance Sheet Position	**-**	**51.683**	**7.826**	**7.953**	**13.412**	**-**	**-**	**80.874**
Derivative Financial Assets	-	17.215.343	9.334.351	11.181.102	18.813.937	5.912.648	-	62.457.381
Derivative Financial Liabilities	-	17.163.660	9.326.525	11.173.149	18.800.525	5.912.648	-	62.376.507
Non-cash Loans	4.042.984	30.807	85.927	437.596	167.505	607	-	4.765.426

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments, subsidiaries, stationery, pre-paid expenses and non-performing loans, are classified in this column.

(**) Shareholders' Equity is presented under "Other Liabilities" item in the "Unallocated" column.

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

(****) Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT, Banks and interbank money market balances consist of expected credit losses amounting to TL 416.

c) Information on Securitization Positions:

None.

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

VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

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

		Current Period 31.03.2020 (*)	Prior Period 31.12.2019 (*)
	Assets On the Balance Sheet		
1	Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	27.117.487	25.121.012
2	(Assets deducted from core capital)	(205.250)	(202.152)
3	Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	26.912.237	24.918.860
	Derivative Financial Instruments and Loan Derivatives		
4	Renewal cost of derivative financial instruments and loan derivatives	483.995	608.666
5	Potential credit risk amount of derivative financial instruments and loan derivatives	577.477	768.370
6	Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.061.472	1.377.036
	Financing Transactions with Securities or Goods Warranties		
7	Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	238.979	99.561
8	Risk amount arising from intermediated transactions	-	-
9	Total risk amount of financing transactions with securities or goods warranties (sum of lines 7 and 8)	238.979	99.561
	Off-the-Balance Sheet Transactions		
10	Gross nominal amount of the off-the-balance sheet transactions	19.539.863	19.610.226
11	Adjustment amount arising from multiplying by the credit conversion rate	-	-
12	Total risk amount for off-the-balance sheet transactions (sum of lines 10 and 11)	19.539.863	19.610.226
	Capital and Total Risk		
13	Core capital	3.359.247	3.314.226
14	Total risk amount (sum of lines 3,6,9 and 12)	47.752.551	46.005.683
	Transition Process Unapplied Leverage Ratio		
15	Transition process unapplied leverage ratio (%)	7,03	7,20

(*) Table represents three month average amounts.

	Current Period 31.03.2020 (**)	Prior Period 31.12.2019 (**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*)	36.927.405	33.886.414
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements"	789.763	454.501
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	(577.477)	(768.370)
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	10.135.488	9.457.451
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the Communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
Total risk amount	**47.752.551**	**46.005.683**

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

(**) Table represents three month average amounts.

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

IX. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following required tables have not been presented on December 31, 2019:

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

a) Explanations on Risk Management and Risk Weighted Amount:

1. Overview of Risk Weighted Amounts:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period March 31, 2020	**Prior Period December 31, 2019**	**Current Period March 31, 20120**
Credit risk (excluding counterparty credit risk)	19.607.430	18.275.720	1.568.594
Standardised approach	19.607.430	18.275.720	1.568.594
Internal rating-based approach	-	-	-
Counterparty credit risk	1.125.772	1.298.586	90.062
Standardised approach for counterparty credit risk	1.125.772	1.298.586	90.062
Internal model method	-	-	-
Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – 1250% risk weighting approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
IRB ratings-based approach	-	-	-
IRB supervisory formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	1.333.113	1.142.225	106.649
Standardised approach	1.333.113	1.142.225	106.649
Internal model approaches	-	-	-
Operational risk	2.968.855	2.700.068	237.508
Basic indicator approach	2.968.855	2.700.068	237.508
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	**25.035.170**	**23.416.599**	**2.002.813**

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

Not disclosed in compliance with interim financial statements.

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

Not disclosed in compliance with interim financial statements.

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

XII. EXPLANATIONS ON OPERATING SEGMENTS

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Group's Total Activities
Current Period – March 31, 2020					
Operating Income	168.733	250.992	200.889	(5.674)	614.940
Other	-	-	-	-	-
Operating Income	**168.733**	**250.992**	**200.889**	**(5.674)**	**614.940**
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(37.842)	81.664	142.100	5.450	191.372
Profit before Tax	**(37.842)**	**81.664**	**142.100**	**5.450**	**191.372**
Corporate Tax Provision (*)	-	-	-	(40.850)	(40.850)
Profit after Tax	**(37.842)**	**81.664**	**142.100**	**(35.400)**	**150.522**
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	**(37.842)**	**81.664**	**142.100**	**(35.400)**	**150.522**
Segment Assets	3.146.193	10.496.161	24.320.970	-	37.963.324
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
Total Assets	**3.146.193**	**10.496.161**	**24.320.970**	**220**	**37.963.544**
Segment Liabilities	20.321.961	9.760.914	3.267.018	1.330.680	34.680.573
Undistributed Liabilities	-	-	-	3.282.971	3.282.971
Total Liabilities	**20.321.961**	**9.760.914**	**3.267.018**	**4.613.651**	**37.963.544**
Other Segment Items	**693.630**	**(459)**	**(7.575)**	**24.163**	**709.759**
Capital Investment	-	-	-	24.163	24.163
Amortization	(27.416)	(459)	(122)	-	(27.997)
Impairment	-	-	(7.453)	-	(7.453)
Non-Cash Other Income-Expense (**)	721.046	-	-	-	721.046

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Group's Total Activities
Prior Period – December 31, 2019 (***)					
Operating Income	148.639	209.031	179.621	-	537.291
Other	-	-	-	-	-
Operating Income	**148.639**	**209.031**	**179.621**	**-**	**537.291**
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(44.357)	132.960	128.411	3.267	220.281
Profit before Tax	**(44.357)**	**132.960**	**128.411**	**3.267**	**220.281**
Corporate Tax Provision (*)	-	-	-	(47.446)	(47.446)
Profit after Tax	**(44.357)**	**132.960**	**128.411**	**(44.179)**	**172.835**
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	**(44.357)**	**132.960**	**128.411**	**(44.179)**	**172.835**
Segment Assets	3.076.295	9.850.745	22.031.609	-	34.958.649
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
Total Assets	**3.076.295**	**9.850.745**	**22.031.609**	**220**	**34.958.869**
Segment Liabilities	19.299.392	8.509.234	2.783.545	1.224.833	31.817.004
Undistributed Liabilities	-	-	-	3.141.865	3.141.865
Total Liabilities	**19.299.392**	**8.509.234**	**2.783.545**	**4.366.698**	**34.958.869**
Other Segment Items	**488.184**	**(3.567)**	**(11.132)**	**936**	**474.421**
Capital Investment	-	-	-	936	936
Amortization	(14.018)	(3.567)	(2.411)	-	(19.996)
Impairment	-	-	(8.721)	-	(8.721)
Non-Cash Other Income-Expense (**)	502.202	-	-	-	502.202

(*) Corporate tax provision is not distributed.
(**) Non-Cash Other Income-Expense includes other income and expense accruals and provisions.
(***) Items of income and expense are the amounts for the period ended March 31, 2019.

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

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

	Current Period March 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Cash/Foreign Currency	264.079	400.779	86.936	293.585
The CBRT	13.088	2.790.488	471.666	2.236.046
Other (*)	-	27.443	-	23.488
Total	**277.167**	**3.218.710**	**558.602**	**2.553.119**

(*) As of March 31, 2020, account of Precious Metal is amounting to TL 27.443 (December 31, 2019: TL 23.488). As of March 31, 2020 the Group has no Money in Transit.

2. Information related to balances with the CBRT:

	Current Period March 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Unrestricted Demand Deposit	13.088	-	471.351	-
Unrestricted Time Deposit (*)	-	-	315	-
Restricted Time Deposit	-	-	-	-
Reserve Requirements	-	2.790.488	-	2.236.046
Total	**13.088**	**2.790.488**	**471.666**	**2.236.046**

(*) "Transactions Related to Foreign Currency Deposits in Turkish Lira Deposits" published by Central Bank of the Republic of Turkey as of 17 January 2017 are recorded in the balance sheet under cash assets and deposit accounts

.

3. Explanation on reserve deposits:

The banks operating in Turkey are subject to the Central Bank of the Republic of Turkey's Communiqué numbered 2013/15 and are required to keep a deposit at the CBRT for their Turkish Lira, U.S. Dollar and/or Euro and standard gold.

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

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

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

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

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

	Current Period March 31, 2020	Prior Period December 31, 2019
Collateral/Blocked	3.767	3.821
Repurchase Agreement	-	-
Unrestricted	280.606	461.718
Total	**284.373**	**465.539**

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

	Current Period March 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Forward Transactions	-	137.998	-	121.590
Swap Transactions	495.938	574.828	486.488	372.405
Futures Transactions	-	-	-	-
Options	-	857.141	-	616.619
Other	-	-	-	-
Total	**495.938**	**1.569.967**	**486.488**	**1.110.614**

c) Information on Banks:

1. Information on banks and other financial institutions:

	Current Period March 31, 2020		Prior Period December 31, 2019	
	TL	FC		
Banks				
Domestic	519	-	386	-
Foreign	-	710.634	4	10.974
Foreign Head Office and Branches	-	-	-	-
Total	**519**	**710.634**	**390**	**10.974**

As of March 31, 2020, amount of TL 15 provision provided for the Parent Bank account with adoption of TFRS 9 (December 31, 2019: TL 3).

2. Information on foreign bank accounts:

Not disclosed in compliance with interim financial statements.

(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 March 31, 2020	Prior Period December 31, 2019
Collateral/Blocked	957.224	264.634
Repurchase Agreement	94.977	-
Unrestricted	584.263	966.064
Total	**1.636.464**	**1.230.698**

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

	Current Period March 31, 2020	Prior Period December 31, 2019
Debt Securities	**1.641.957**	**1.230.698**
Quoted to Stock Exchange	1.641.957	1.230.698
Not Quoted	-	-
Share Certificate	-	-
Quoted to Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	**5.493**	-
Total	**1.636.464**	**1.230.698**

e) Information Related to Loans:

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

	Current Period March 31, 2020		Prior Period December 31, 2019	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	**94.442**	-	**95.320**
Corporate Shareholders	-	94.442	-	95.320
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	**534.920**	**1.483**	**561.736**
Loans Granted to Employees	**14.996**	-	**15.166**	-
Total	**14.996**	**629.362**	**16.649**	**657.056**

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

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

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

		Loans under Close Monitoring		
		Loans not Subject to Restructuring	Restructured Loans	
Cash Loans	**Standard Loans**		**Loans with Revised Contract Terms**	**Refinance**
Non-specialized Loans(*)	**12.919.131**	**3.077.815**	**2.303.810**	**-**
Discount Notes	8.415.132	2.564.073	2.149.501	-
Export Loans	775.879	95.849	108.238	-
Import Loans	204.699	-	-	-
Loans Given to Financial Sector	1.034.091	51.266	-	-
Retail Loans	1.115.138	21.656	2.952	-
Credit Cards	1.370.152	344.971	43.119	-
Other	4.040	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**12.919.131**	**3.077.815**	**2.303.810**	**-**

(*) Includes the factoring receivables amounting to TL 137.395.

	Current Period March 31, 2020		Prior Period December 31, 2019	
	Standard Loans	**Loans Under Close Monitoring**	**Standard Loans**	**Loans Under Close Monitoring**
12 Months Expected Credit Loss	138.817	-	124.466	-
Significant Increase in Credit Risk	-	864.702	-	794.265
Total	**138.817**	**864.702**	**124.466**	**794.265**

3. Breakdown of loans according to their maturities:

Not disclosed in compliance with interim financial statements.

(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	**37.577**	**936.783**	**974.360**
Mortgage Loans	72	350.247	350.319
Vehicle Loans	-	3.163	3.163
Consumer Loans	37.505	581.525	619.030
Other	-	1.848	1.848
Consumer Loans- Indexed to FC	**-**	**429**	**429**
Mortgage Loans	-	429	429
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**1.718.072**	**26.307**	**1.744.379**
Instalment	591.765	26.307	618.072
Non Instalment	1.126.307	-	1.126.307
Individual Credit Cards-FC	**5.167**	**-**	**5.167**
Instalment	352	-	352
Non Instalment	4.815	-	4.815
Personnel Loans-TL	**819**	**8.846**	**9.665**
Mortgage Loans	-	-	-
Vehicle Loans s	-	-	-
Consumer Loans	819	8.846	9.665
Other	-	-	-
Personnel Loans- Indexed to FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**5.309**	**-**	**5.309**
Instalment	2.567	-	2.567
Non Instalment	2.742	-	2.742
Personnel Credit Cards-FC	**22**	**-**	**22**
Instalment	-	-	-
Non Instalment	22	-	22
Overdraft Account-TL (Individual)	**155.292**	**-**	**155.292**
Overdraft Account-FC (Individual)	**-**	**-**	**-**
Total	**1.922.258**	**972.365**	**2.894.623**

(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	**-**	**12.218**	**12.218**
Mortgage Loans	-	3	3
Automotive Loans	-	-	-
Consumer Loans	-	12.215	12.215
Other	-	-	-
Commercial Instalment Loans- FC Indexed	**-**	**24.505**	**24.505**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	21.664	21.664
Other	-	2.841	2.841
Commercial Instalment Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	**2.777**	**-**	**2.777**
Instalment	572	-	572
Non Instalment	2.205	-	2.205
Corporate Credit Cards-FC	**588**	**-**	**588**
Instalment	-	-	-
Non Instalment	588	-	588
Overdraft Account-TL (Commercial)	**-**	**-**	**-**
Overdraft Account-FC (Commercial)	**-**	**-**	**-**
Total	**3.365**	**36.723**	**40.088**

6. Loans according to types of borrowers:

Not disclosed in compliance with interim financial statements.

7. Distribution of domestic and foreign loans:

	Current Period March 31, 2020	Prior Period December 31, 2019
Domestic Loans	18.132.110	16.854.824
Foreign Loans	168.646	138.787
Total (*)	**18.300.756**	**16.993.611**

(*) As of March 31, 2020, includes the factoring receivables amounting to TL 137.395 (December 31, 2019: TL 126.556).

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

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

8. Loans granted to investments in associates and subsidiaries:

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

9. Specific provisions provided against loans:

	Current Period March 31, 2020	Prior Period December 31, 2020
Loans with Limited Collectability	11.009	17.593
Loans with Doubtful Collectability	47.641	76.799
Uncollectible Loans	435.215	392.603
Total	**493.865**	**486.995**

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

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability and other receivables	Loans with Doubtful Collectability and other receivables	Uncollectible Loans and other receivables
Current Period: March 31, 2020			
Gross Amounts Before Provisions	1.518	12.512	22.756
Rescheduled Loans	1.518	12.512	22.756
Prior Period: December 31, 2019			
Gross Amounts Before Provisions	8.880	7.700	24.796
Rescheduled Loans	8.880	7.700	24.796

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability and Other Receivables	Loans with Doubtful Collectability and Other Receivables	Uncollectible Loans and Other Receivables
Balance at the end of Prior Period: December 31, 2019	**36.220**	**138.980**	**532.279**
Additions (+)	17.728	30	73
Transfers from Other Categories of Non-Performing Loans (+)	-	29.556	85.905
Transfers to Other Categories of Non-Performing Loans (-)	29.556	85.905	-
Collections (-)	5.365	5.134	15.762
Write-offs (-)	-	-	47
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: March 31, 2020	**19.027**	**77.527**	**602.448**
Special Provisions (-)	11.009	47.641	435.215
Net Balance in Balance Sheet	**8.018**	**29.886**	**167.233**

(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 March 31, 2020, there are no non-performing loans granted as foreign currency loans (December 31, 2019: None).

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability and other receivables	**Loans with Doubtful Collectability and other receivables**	**Uncollectible Loan and other receivables s**
Current Period (Net): March 31, 2020	**8.018**	**29.886**	**167.233**
Loans granted to corporate entities and real persons (Gross)	19.027	77.527	602.448
Provisions Amount (-)	11.009	47.641	435.215
Loans granted to corporate entities and real persons (Net)	8.018	29.886	167.233
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-
Prior Period (Net): December 31, 2019	**18.627**	**62.181**	**139.676**
Loans granted to corporate entities and real persons (Gross)	36.220	138.980	532.279
Provisions Amount (-)	17.593	76.799	392.603
Loans granted to corporate entities and real persons (Net)	18.627	62.181	139.676
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	**Loans with Doubtful Collectability**	**Uncollectible Loans**
Current Period (Net)	**8.162**	**8**	**1**
Interest Accruals and Rediscount with Valuation Differences	16.606	8	1
Provision amount (-)	8.444	-	-
Prior Period (Net)	**8.132**	**9**	**1**
Interest Accruals and Rediscount with Valuation Differences	15.992	9	1
Provision amount (-)	7.860	-	-

11. Information on the collection policy of non-performing loans and other receivables:

For uncollectible loans, primarily, a reach for an agreement with the company and third parties (natural and/or legal) having guarantees subject to the risk is being sought and actions either aimed at liquidation of collateral in the loan risk warranty or aimed at proceedings without judgement are taken. In case of obtaining no result in consequence of these actions, liquidation subject to requirements within the framework of legal regulations designated by the Parent Bank's top management occurs.

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

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

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

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

f) Explanations on Financial Assets Measured at Amortized Cost:

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

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

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

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

3. Information on financial assets measured at amortized cost:

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

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

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

g) Information on Associates (Net):

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

h) Information on Subsidiaries (Net):

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

a) Unconsolidated subsidiaries:

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

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
2.350	2.149	-	-	-	197	1.159	-

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

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

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

2. Information on the consolidated subsidiaries:

The Parent Bank, HSBC Yatırım was established as Demir Yatırım on December 23, 1996. The merger of the Demir Yatırım and HSBC Yatırım was realized and the merger agreement was signed, with the Board of Directors decision, No. 222 and dated December 6, 2001 based on the authority given to the Board of Directors in accordance with General Assembly decision dated October 30, 2001. Also dissolution of HSBC Yatırım and change of the new merged company to HSBC Yatırım Menkul Değerler A.Ş. was agreed and the merger of these two companies was accomplished as of January 11, 2002. HSBC Yatırım Menkul Değerler A.Ş. participated in 100% shares of HSBC Portföy Yönetim A.Ş. as a founder as of August 13, 2003.

a) Consolidated Subsidiaries:

Title	Address (City/Country)	The Parent Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
HSBC Yatırım ve Menkul Değerler A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	100,00	-

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss(**)	Fair Value
121.227	96.197	4.903	14.208	2.677	33.330	31.792	-

(*) Prepared with the audited financial statements as of December 31, 2019.
(**) Prepared with the non-reviewed financial statements as of December 31, 2018.
(***) Financial Information given at above includes consolidated information HSBC Yatırım.

3. Movement schedule of the consolidated subsidiaries:

	Current Period March 31, 2020	Prior Period December 31, 2019
Balance at the Beginning of the Period	**34.753**	**34.753**
Movements During the Period	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Provision Decrease of Valuation	-	-
Balance at the End of the Period	**34.753**	**34.753**
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	**100,00**	**99,87**

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

	Current Period March 31, 2020	Prior Period December 31, 2019
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)

5. Subsidiaries quoted on a stock exchange:

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

i) Information on Jointly Controlled Entities:

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

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

j) Information on Financial Lease Receivables (Net):

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

k) Information on Hedging Derivative Financial Assets:

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

l) Explanations on Property and Equipment:

Not disclosed in compliance with interim financial statements.

m) Information on Intangible Assets:

Not disclosed in compliance with interim financial statements.

n) Information on the Investment Properties:

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

o) Explanations on Deferred Tax Asset:

As of March 31, 2020, foreign currency deferred tax asset of the Group is TL 247.728 (December 31, 2019: TL 211.012). Temporary differences subject to deferred tax calculation result from mainly the loan provisions to be deducted from tax, tax values and debts of fixed assets and financial assets, and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank, are netted-off and accounted. As of March 31, 2020, The Bank's information regarding deferred tax have been explained in Note XX of Section Three.

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

As of March 31, 2020, assets held for sale of the Group is TL 1.904 (December 31, 2019: TL 2.095).

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

r. Information on other assets:

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

	Current Period March 31, 2020	Prior Period December 31, 2019
Miscellaneous Receivables (*)	417.356	497.118
Prepaid Expenses	52.142	26.960
Debited Suspense Accounts	49.329	56.920
Other Rediscount Income (**)	24.644	27.264
Other Assets	1.944	5.582
Total	**545.415**	**613.844**

(*) Includes BIST and derivative securities.
(**) As of March 31, 2020 amount of TL 5.417 provision provided for Miscellaneous Receivables within the scope of TFRS 9 (December 31, 2019: TL 4.998).

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

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

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 – March 31, 2020:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	434.546	-	1.066.142	2.940.633	56.747	40.434	39.238	-	4.577.740
Foreign Currency Deposits	6.372.548	-	4.626.361	7.135.700	981.042	341.917	157.955	-	19.615.523
Residents in Turkey	5.818.746	-	4.308.029	6.591.292	914.551	308.579	53.914	-	17.995.111
Residents Abroad	553.802	-	318.332	544.408	66.491	33.338	104.041	-	1.620.412
Public Sector Deposits	2.579	-	-	-	-	-	-	-	2.579
Commercial Deposits	581.840	-	2.197.595	568.718	94.169	-	21.219	-	3.463.541
Other Institutions Deposits	5.369	-	227	-	-	-	-	-	5.596
Precious Metal Deposit	1.380.887	-	42.643	265.208	4.052	6.558	-	-	1.699.348
Bank Deposits	181.536	-	442.128	-	-	-	-	-	623.664
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	226.556	-	-	-	-	-	226.556
Foreign Banks	181.536	-	215.572	-	-	-	-	-	397.108
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**8.959.305**	**-**	**8.375.096**	**10.910.259**	**1.136.010**	**388.909**	**218.412**	**-**	**29.987.991**

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

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

1(ii). Prior Period – December 31, 2019:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months-1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	335.609	-	1.287.513	1.942.865	68.616	49.390	49.718	-	3.733.711
Foreign Currency Deposits	3.508.861	-	5.930.606	9.072.709	419.547	138.000	127.691	-	19.197.414
Residents in Turkey	3.057.949	-	5.708.534	8.394.476	361.775	107.393	45.970	-	17.676.097
Residents Abroad	450.912	-	222.072	678.233	57.772	30.607	81.721	-	1.521.317
Public Sector Deposits	3.118	-	-	-	-	-	-	-	3.118
Commercial Deposits	465.213	-	2.221.408	223.009	91.688	125.816	55.981	-	3.183.115
Other Institutions Deposits	4.328	-	89	-	-	-	-	-	4.417
Precious Metal Deposit	1.128.921	-	19.815	226.083	2.832	5.529	-	-	1.383.180
Bank Deposits	127.864	-	107.446	-	-	-	-	-	235.310
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	127.864	-	107.446	-	-	-	-	-	235.310
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**5.573.914**	**-**	**9.566.877**	**11.464.666**	**582.683**	**318.735**	**233.390**	**-**	**27.740.265**

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 March 31, 2020	Exceeding Deposit Insurance Limit Current Period March 31, 2020	Covered by Deposit Insurance Fund Prior Period December 31, 2020	Exceeding Deposit Insurance Limit Prior Period December 31, 2020
Saving Deposits	2.120.841	2.456.899	1.983.508	1.750.203
Foreign Currency Saving Deposits	3.286.631	10.792.157	3.330.674	12.173.517
Other Deposits in the Form of Saving Deposits	293.720	1.392.305	137.541	1.226.965
Foreign Branches’ Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Off-Shore Banking Regions’ Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	**5.701.192**	**14.641.361**	**5.451.723**	**15.150.685**

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

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

	Current Period March 31, 2020	Prior Period December 31, 2019
Foreign Branches’ Deposits and other accounts	-	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their warship	28.712	24.227
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities	-	-

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

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

b) Information on Trading Derivative Financial Liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period March 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Forward Transactions	-	380.427	-	188.735
Swap Transactions	419.334	399.531	464.612	169.598
Future Transactions	-	-	-	-
Options	-	858.320	-	617.487
Other	-	-	-	-
Total	**419.334**	**1.638.278**	**464.612**	**975.820**

c) Information on Funds Provided Under Repurchase Agreements:

As of March 31, 2020, the Group has amounting TL 100.024 funds provided under repurchase agreements (December 31, 2019: None).

d) Information on Funds Borrowed:

1. Information on banks and other financial institutions:

	Current Period March 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	-	-
Foreign Banks and Institutions and Funds	-	2.176	-	30.720
Total	**-**	**2.176**	**-**	**30.720**

2. Information on the maturity structure of funds borrowed:

	Current Period March 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
Short-Term	-	2.176	-	30.720
Medium and Long-Term	-	-	-	-
Total	**-**	**2.176**	**-**	**30.720**

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

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

e) Information on Foreign Other Liabilities:

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

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

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

f) Information on Financial Leasing Agreements:

1. Explanations on finance lease payables

With the "TFRS 16 Leases" standard valid from January 1, 2019, the difference between operating leases and finance leases has been eliminated and the lease transactions have been expressed under the "Lease Payables" as liability by lessees.

	Current Period March 31, 2020	Prior Period December 31, 2019
Less than 1 year	8.824	2.963
Between 1- 4 years	46.800	75.872
More than 4 years	44.765	45.558
Total	**100.389**	**124.393**

g) Information on derivative financial liabilities for hedging purposes:

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

h) Information on Provisions:

1. Information on general provisions:

	Current Period March 31, 2019	Prior Period December 31, 2019
Provisions for off-balance sheet commitments (*)	33.602	25.855

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

2. Information on employee benefit provisions:

As of March 31, 2020, the Group has employee termination benefit provision amounting to TL 52.921 (December 31, 2019: TL 57.901), and unused vacation provision amounting to TL 13.201 (December 31, 2019: TL 9.917).

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 6.730,15 (full TL) (December 31, 2019: TL 6.379,86 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

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

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Group is calculated from the ceiling amount valid from July 1, 2019, TL 6.730,15 (full TL) (December 31, 2019: TL 6.379,86 (full TL)).

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

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

	Current Period March 31, 2020	Prior Period December 31, 2019
As of January 1	57.901	56.629
Service Cost	1.073	4.170
Interest Cost	1.652	7.805
Actuarial Loss / (Gain)	(7.540)	(4.638)
Paid in Current Period	(165)	(6.065)
Total	**52.921**	**57.901**

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

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

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

As of March 31, 2020, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.517 (December 31, 2019: TL 1.857).

5. Information on restructuring provisions:

As of March 31, 2020, provision for restructuring is amounting to TL 2.754 (December 31, 2019: TL 4.114).

6. Information on other provisions:

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

As of March 31, 2020, the Group has no free provisions for possible risks (December 31, 2019: None).

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

	Current Period March 31, 2020	Prior Period December 31, 2019
Provision for Lawsuits	37.980	35.716
Provision for Accumulated Credit Card Bonus	3.718	4.058
Return Provision of Case File Expenses	522	570
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.517	1.857
Other Provisions (*)	65.230	56.154
Total	**108.967**	**98.355**

(*) As of March 31, 2020, other provisions amounting TL 33.602 (December 31, 2019: TL 25.855) with TFRS 9 stage 1 and stage 2 non-cash loans provision for expected losses and includes other provisions within TAS 37.

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

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

i) 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 March 31, 2020	Prior Period December 31, 2019
Taxation on Marketable Securities	22.298	23.262
Banking Insurance Transaction Tax (BITT)	11.615	11.815
Corporate Taxes Payable	4.916	749
Capital Gains Tax on Property	563	408
Value Added Tax Payable	3.824	2.190
Foreign Exchange Transaction Tax	44.381	(22.332)
Other (*)	22.575	7.978
Total	**110.172**	**24.070**

(*) As of March 31, 2020, other taxes payable amount consists of payroll tax amounting to TL 19.754 (December 31, 2019: TL 6.731), stamp tax amounting to TL 624 (December 31, 2019: TL 220), other taxes amounting to TL 2.160 (December 31, 2019: TL 606) and self-employed income tax amounting to TL 217 (December 31, 2019: TL177).

1(ii). Information on premium payables:

	Current Period March 31, 2020	Prior Period December 31, 2019
Social Security Premiums – Employer	6.706	5.138
Social Security Premiums – Employee	5.471	3.750
Bank Social Aid Pension Fund Premium – Employer	-	-
Social Aid Pension Fund Premium – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Unemployment Insurance – Employer	476	363
Unemployment Insurance – Employee	934	718
Other	-	-
Total	**13.587**	**9.969**

2. Information on deferred tax liability:

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

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

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

k) Explanations on the Number of Subordinated Loans the Bank Used, Maturity, Interest Rate, Institution That the Loan was Borrowed From, and Conversion Option, If Any:

Not disclosed in compliance with interim financial statements.

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

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

l) Information on Shareholder's Equity:

1. Presentation of paid-in capital:

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

Amount of paid-in capital of The Parent Bank is presented in nominal amount. As of March 31, 2020 capital reserve due to adjustment of the paid-in capital for inflation amounts to TL 272.693 has been classified under the other capital reserve sub-account (December 31, 2019: Other capital reserve is amounting to TL 272.693).

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

Registered share capital system is not applied.

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

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

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

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

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

The Group has no capital commitments.

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.

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

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

8. Information on valuation differences of marketable securities:

	Current Period March 31, 2020		Prior Period December 31, 2019	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	**-**	**-**	**-**	**-**
Valuation Difference	-	-	-	-
Foreign Currency Difference	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	**10.964**	**-**	**26.011**	**-**
Valuation Difference	10.964	-	26.011	-
Foreign Currency Difference	-	-	-	-
Total	**10.964**	**-**	**26.011**	**-**

9. Information on revaluation value increase fund:

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

10. Information on Legal Reserves:

With the decision taken at The Ordinary General Assembly meeting held on March 30, 2020, the Parent Bank has no capital increase during the current period. Within the framework of the resolution of the General Assembly, it was decided to transfer the profit of 2019 to extraordinary reserves.

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

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

a) Explanations on Off-Balance Sheet Commitments:

1. Loans Type and amount of irrevocable commitments:

	Current Period March 31, 2020	Prior Period December 31, 2019
Asset Purchase and Sale Commitments	6.200.309	6.362.504
Commitments for Credit Card Limits	3.385.453	3.206.861
Commitments for Cheques	16.742	20.119
Loan Granting Commitments	227.322	578.715
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	14.820	13.950
Tax and Fund Liabilities from Export Commitments	2.286	2.286
Other Irrevocable Commitments	535.199	537.029
Total	**10.382.131**	**10.721.464**

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

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

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

	Current Period March 31, 2020	Prior Period December 31, 2019
Letters of Guarantee	3.226.942	2.867.210
Letters of Credit	2.068.533	1.678.260
Bank Acceptances	368	1.029
Other Guarantees	229.717	218.927
Total	**5.525.560**	**4.765.426**

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

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

3. Information on the non-cash loans:

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

	Current Period March 31, 2020	Prior Period March 31, 2019
Non- Cash Loans Given for Cash Loan Risks Non- Cash Loans	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More Than One Year	-	-
Other Non-Cash Loans	**5.525.560**	**4.765.426**
Total	**5.525.560**	**4.765.426**

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

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

Not disclosed in compliance with interim financial statements.

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

Not disclosed in compliance with interim financial statements.

b) Explanations on Derivative Transactions:

Not disclosed in compliance with interim financial statements.

c) Explanations on Credit Derivatives and Risk Exposures on Credit Derivatives:

None.

d) Explanations on Contingent Liabilities and Assets:

Contingent assets are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of March 31, 2020, there is no contingent assets to be disclosed.

Contingent liabilities are recognized if the probability of occurrence is probable and the liability can be measured reliably, whereas they are disclosed in the notes, if they cannot be measured reliably or the possibility of the occurrence is remote or does not exist.

The Group has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of March 31, 2020, the total provision of TL 552 (December 31, 2019: TL 570) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favor, with TL 38.502 (December 31, 2019: TL 36.286) being for provisions for refunds related to case document charges.

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a) Information on Interest Income:

1. Information on interest income received from loans:

	Current Period March 31, 2020		Prior Period March 31, 2019	
	TL	**FC**	**TL**	**FC**
Interest Income on Loans [(*)]				
Short-Term Loans	190.374	16.571	395.136	19.069
Medium and Long-Term Loans	61.702	101.623	101.287	81.444
Interest on Loans Under Follow-Up	9.335	-	9.440	-
Resource Utilization Support Fund	-	-	-	-
Total	**261.411**	**118.194**	**505.863**	**100.513**

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

2. Information on interest income received from banks:

	Current Period March 31, 2020		Prior Period March 31, 2019	
	TL	**FC**	**TL**	**FC**
From the CBRT	194	-	54.991	-
From Domestic Banks	15.556	-	19.247	-
From Foreign Banks	1.141	2.740	1.706	3.381
Headquarters and Branches Abroad	-	-	-	-
Total	**16.891**	**2.740**	**75.944**	**3.381**

3. Information on interest income on marketable securities:

	Current Period March 31, 2020		Prior Period March 31, 2019	
	TL	**FC**	**TL**	**FC**
Financial Assets at Fair Value Through Profit or Loss	23.343	1.558	20.011	1.532
Financial Assets at Fair Value Through Other Comprehensive Income	34.704	-	16.009	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Total	**58.047**	**1.558**	**36.020**	**1.532**

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

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

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

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

b) Information on Interest Expense:

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

	Current Period March 31, 2020		Prior Period March 31, 2019	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	22.546	55.153	26.814
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	**-**	**22.546**	**55.153**	**26.814**

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

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

None.

3. Information on interest expense paid on securities issued:

The Group has no interest expense paid on securities as of March 31, 2020 and March 31, 2019.

4. Maturity structure of the interest expense on deposits:

		Time Deposit						
Current Period: March 31, 2020	**Demand Deposit**	**Up to 1 Month**	**Up to 3 Month**	**Up to 6 Month**	**Up to 1 Year**	**More Than 1 year**	**Cumulative Deposit**	**Total**
Turkish Lira								
Interbank deposits	-	4.687	-	-	-	-	-	4.687
Saving deposits	-	22.710	52.686	1.474	1.273	1.549	-	79.692
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	42.700	5.072	2.480	3.128	1.462	-	54.842
Other deposits	-	2	-	-	-	-	-	2
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	**-**	**70.099**	**57.758**	**3.954**	**4.401**	**3.011**	**-**	**139.223**
Foreign Currency								
Foreign currency deposits	-	8.539	16.075	1.069	1.035	516	-	27.234
Interbank deposits	-	-	-	-	-	-	-	-
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	2	177	3	10	-	-	192
Total	**-**	**8.541**	**16.252**	**1.072**	**1.045**	**516**	**-**	**27.426**
Grand Total	**-**	**78.640**	**74.010**	**5.026**	**5.446**	**3.527**	**-**	**166.649**

(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: March 31, 2019	**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	-	6.842	-	-	-	-	-	6.842
Saving deposits	-	33.158	125.334	33.687	11.894	7.572	-	211.645
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	69.392	9.120	1.380	1.171	5.768	-	86.831
Other deposits	-	187	-	-	-	-	-	187
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	**-**	**109.579**	**134.454**	**35.067**	**13.065**	**13.340**	**-**	**305.505**
Foreign Currency								
Foreign currency deposits	-	26.223	45.583	5.426	1.677	688	-	79.597
Interbank deposits	-	5.672	-	-	-	-	-	5.672
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	2	318	5	17	-	-	342
Total	**-**	**31.897**	**45.901**	**5.431**	**1.694**	**688**	**-**	**85.611**
Grand Total	**-**	**141.476**	**180.355**	**40.498**	**14.759**	**14.028**	**-**	**391.116**

4. Information on interest given on repurchase agreements:

As of March 31, 2020, the Group has interest given on repurchase agreements amounting to TL 13.715 (March 31, 2019: TL 1.183).

5. Information on finance lease expenses:

As of March 31, 2020, the Group has lease expenses amounting to TL 3.215 (March 31, 2019: TL 5.961).

6. Information on interest given on factoring payables:

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

c) Explanations on Dividend Income:

As of March 31, 2020, the Group has no share in the dividend distribution of its subsidiaries. (March 31, 2019: TL 6.345).

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

1. Trading income/loss (Net):

	Current Period March 31, 2020	**Prior Period March 31, 2019**
Profit	**22.830.368**	**12.524.176**
Capital Market Transactions Income	115.529	40.264
Gain on Derivative Financial Transactions	3.083.919	1.973.820
Foreign Exchange Gains	19.630.920	10.510.092
Loss (-)	**22.668.805**	**12.452.702**
Capital Market Transactions Loss	82.174	33.555
Loss on Derivative Financial Transactions	2.477.688	1.718.547
Foreign Exchange Loss	20.108.943	10.700.600
Total (Net)	**161.563**	**71.474**

(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 March 31, 2020	Prior Period March 31, 2019
Reverse of Previous Years Expenses(*)	24.295	12.945
Gain on Sale of Assets	116	271
Provision for Telecommunication Expense	834	804
Other Income	16.008	3.474
Total	**41.253**	**17.494**

(*) 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 March 31, 2020	Prior Period March 31, 2019
Expected Credit Loss	101.298	17.009
12 Months Expected Credit Loss (Stage 1)	20.746	(36.449)
Significant Increase in Credit Risk (Stage 2)	71.955	27.004
Non-performing Loans (Stage 3)	8.597	26.454
Marketable Securities Impairment Expense	7.453	8.721
Financial Assets at Fair Value Through Profit or Loss	7.453	8.721
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Other	-	-
Total	**108.751**	**25.730**

(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 March 31, 2020	Prior Period March 31, 2019
Reserve for Employee Termination Benefits (*)	-	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	19.072	14.301
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	8.918	5.688
Impairment Expenses of Equity participants for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses on Assets Held for Sale	7	7
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	61.461	47.856
Leasing Expenses on TFRS 16 Exceptions	3.064	2.417
Maintenance Licensing Expenses	14.193	12.295
Maintenance Expenses	7.354	4.898
Communication Expenses	3.656	3.592
Advertisement Expenses	10.077	3.991
Other Expenses	23.117	20.663
Loss on Sales of Assets	771	940
Tax, Duties, Charges and Funds Expenses	20.948	23.627
Saving Deposit Insurance Fund Expenses	13.774	6.540
Other (**)	54.129	66.982
Total	**179.080**	**165.941**

(*) "Reserve for Employee Termination Benefits" is disclosed in "Personnel Expenses" in the income statement.

(**) Other line amount TL 54.129 (March 31, 2019: TL 66.982) consists of balances from these items respectively; TL 260 of audit and consultancy fees (March 31, 2019: TL 618), TL 199 of the arbitration committee expenses (March 31, 2019: TL 314) and the remaining TL 53.670 consists of other expenses (March 31, 2019: TL 66.109)

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

Not disclosed in compliance with interim financial statements.

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

As of March 31, 2020, the Group has corporate tax provision expense amounting to TL 78.978 (March 31, 2019: TL 25.584 expense) and deferred tax expense of TL 38.128 (March 31, 2019: TL 21.862 expense).

j) Explanation on Net Profit/Loss For the Period For Continued and Discontinued Operations:

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

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

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

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

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

Net interest income, amounting to TL 300.355 (March 31, 2019: TL 324.159), net wage and commission income amounting to TL 111.769 (March 31, 2019: TL 117.819) have an important role among the income items in the accounting period ending on March 31, 2020. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Group's interest income are the interests received from loans and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

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

	Current Period March 31, 2020	Prior Period March 31, 2019
Credit Card Transactions	40.301	67.976
Insurance Commissions	10.554	9.654
Commissions Received from Banking Transactions	3.058	3.320
Fund Platform	20.061	7.895
Other Fee and Commissions	31.492	24.078
Total	**105.466**	**112.923**

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

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

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

Not disclosed in compliance with interim financial statements.

2. Information on increases in cash flow hedges:

Not disclosed in compliance with interim financial statements.

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

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

Not disclosed in compliance with interim financial statements.

2. Information on cash flow hedges:

Not disclosed in compliance with interim financial statements.

c) Information on dividend distribution:

None.

d) Information on issuance of common stock:

Not disclosed in compliance with interim financial statements.

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

Not disclosed in compliance with interim financial statements.

f) Offsetting prior period's losses:

Not disclosed in compliance with interim financial statements.

(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:

Not disclosed in compliance with interim financial statements.

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

Not disclosed in compliance with interim financial statements.

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

Not disclosed in compliance with interim financial statements.

d) Information on cash and cash equivalents:

Not disclosed in compliance with interim financial statements.

e) Additional information:

None.

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

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

Current Period – March 31, 2020

Risk Group of the Group's	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Opening Balance	-	-	1.483	657.056	-	-
Closing Balance	-	-	-	629.362	-	-
Interest and Commission Income	-	-	1.141	38	-	-

Prior Period - December 31, 2019:

Risk Group of the Group's	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	15.268	633.491	-	-
Closing Balance	-	-	1.483	657.056	-	-
Interest and Commission Income (*)	-	-	1.706	426	-	-

(*) The prior period balances present amounts of March 31, 2019.

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

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

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

Risk Group of the Group's	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
Deposit	**Current Period March 31, 2020**	**Current Period March 31, 2020**	**Current Period March 31, 2020**
Opening Balance	2.167	127.787	24.029
Closing Balance	2.538	181.457	26.949
Interest expense on deposits	-	-	29

Risk Group of the Group's	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Bank	Other Individuals and Legal Entities in the Risk Group
Deposit	**Prior Period December 31, 2019**	**Prior Period December 31, 2019**	**Prior Period December 31, 2019**
Opening Balance	5.510	92.407	13.244
Closing Balance	2.167	127.787	24.029
Interest expense on deposits (*)	-	-	295

(*) The prior period balances present amounts of March 31, 2019.

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

Risk Group of the Group's	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period March 31, 2020	**Current Period March 31, 2020**	**Current Period March 31, 2020**
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	28.671.672	1.342
Closing Balance	-	26.514.918	997
Total Profit/Loss	-	208.296	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

Risk Group of the Group's	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period December 31, 2019	**Prior Period December 31, 2019**	**Prior Period December 31, 2019**
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	18.861.471	-
Closing Balance	-	28.671.672	1.342
Total Profit/Loss (*)	-	166.109	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss (*)	-	-	-

(*) The prior period balances present amounts of March 31, 2019.

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

As of March 31, 2020, payment is made to the Board of Directors and top executives of the Group amounting to TL 22.523 (March 31, 2019: TL 18.489).

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 Bank:

Not disclosed in compliance with interim financial statements.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

In accordance with the BRSA issued its decision No.9003 dated April 30, 2020 which is additional decision BRSA published its No. 9000 on April 18, 2020,in order to minimize the negative impact of the COVID-19 outbreak on economy, market, production and employment, and to ensure the most efficient use of the resources available to banks according to the second paragraph of Article 43 and 93 of the Banking Law (Law) No. 5411, it has been decided that except for Development and Investment Banks and the banks embodied by Savings Deposit Insurance Funds the Banks shall calculate Asset Ratio (AR) on a weekly basis, and as of the end of each month, the monthly average of the Asset Ratio should not fall below 100% for deposit banks and below 80% for participation banks As of March 31, for banks whose total deposits excluding banks deposits are below TL 25 million, an additional period has been granted for compliance with this regulation until December 31, 2020). In accordance with subparagraph (a) of the first paragraph of Article 148 of the Law, as of the end of the relevant month, it was decided to calculate the excess amount that constitutes a contradiction to be taken as the amount of change in the share that will bring the ratio to 100% and 80%, respectively, for banks with an active ratio below 100% and participation banks below 80%. This regulation is valid as of May 1, 2020. The possible effects of the related regulation on the Parent Bank's financial statements are closely monitored by the Bank's top level management.

SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

The consolidated financial statements for the period ended March 31, 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's audit report dated June 11, 2020 is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

SECTION SEVEN

INTERIM ACTIVITY REPORT

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

GENERAL INFORMATION

1. Summary information about HSBC Bank A.Ş.

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

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

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

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

Based on the approval of the Banking Regulation and Supervision Agency dated June 21, 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

2. Capital and shareholding structure

The Bank has made no changes in their capital and shareholding structure as well as its shareholders who directly or indirectly; individually or as a group has an influence over the Bank's audit and management, as of the accounting period ended on March 31, 2020. HSBC Middle East Holdings B.V. has a shareholding rate of 89,99% and HSBC Bank Middle East Limited has 10,01% shareholding rate of the Bank's shares. HSBC Bank A.Ş.'s Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of March 31, 2020, HSBC Bank A.Ş.'s paid-in capital is TL 652.290 Thousand and its capital structure is as follows:

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

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

As of March 31, 2020, the Parent Bank has 77 branches dispersed throughout the country (December 31, 2019: 77 branches). As of March 31, 2020, the number of employees of the Parent Bank and its subsidiaries is 2.046 (December 31, 2019: 2.063).

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

HSBC Bank A.Ş.'s Articles of Association had no changes in January 1 – March 31, 2020 period.

5. Chairman and Members of the Board of Directors

HSBC Bank A.Ş. Board of Directors as of March 31, 2020:

Name and Surname	Title
David Gordon Eldon	Chairman
Hamit Aydoğan	Chairman Deputy
Süleyman Selim Kervancı	Member, CEO
Robert Adrian Underwood	Member
Mehmet Gani Sönmez	Member
Edward Michael Flanders	Member
Neslihan Erkazancı	Member
Martin François Christian Tricaud	Member

6. Audit Committee

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

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

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

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

7. Executive Management

HSBC Bank A.Ş. Executive Management as of March 31, 2020:

Name and Surname	Title	Area of Responsibility
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Anthony Wright	Executive Vice President	Credit and Risk
Yiğit Arslancık	Executive Vice President	Corporate and Investment Banking
Ayşe Yenel	Executive Vice President	Retail Banking
Burçin Ozan	Executive Vice President	Finance
Rüçhan Çandar	Deputy CEO	Technology and Services
Funda Temoçin Aydoğan	Executive Vice President	Human Resources
İbrahim Namık Aksel	Executive Vice President	Treasury and Capital Markets
Fatoş Pınar Fadıllıoğlu	Executive Vice President	Corporate Communications
Tolga Tüzüner	Head Legal Advisor	Legal

8. HSBC Bank's Financial Power Rating

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

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

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

9. Summary of consolidated financial information for the period

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

According to consolidated financial statements, for the period ending on March 31, 2020, HSBC Bank A.Ş.'s total assets realised at TL 38 billion increased by 9% compared to the end of 2019. Loans, which form nearly 46% of the assets, seem to be around TL 17.5 billion gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around TL 30 billion and formed 79% of liabilities. The balance sheet's consolidated items groups' period-end balances on the relevant dates are shown below.

ASSETS (Thousand TL)	**31.03.2020**	**31.12.2019**
Financial Assets (Net)	19.276.468	17.443.104
Other Financial Assets Measured at Amortized Cost	17.502.374	16.295.364
Non-Current Assets or Disposal Groups "Held for Sale" and "Held from Discontinued Operations" (Net)	1.904	2.095
Equity Investments	220	220
Property and Equipment (Net)	217.059	224.791
Intangible Assets (Net)	172.376	168.439
Investment Property (Net)	-	-
Current Tax Asset	-	-
Deferred Tax Asset	247.728	211.012
Other Assets	545.415	613.844
Total Assets	**37.963.544**	**34.958.869**

LIABILITIES (Thousand TL)	**31.03.2020**	**31.12.2019**
Deposits	29.987.991	27.740.265
Funds Borrowed	2.176	30.720
Money markets	100.024	-
Securities Issued (Net)	-	-
Funds	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-
Derivative Financial Liabilities	2.057.612	1.440.432
Factoring Liabilities	-	-
Lease Liabilities	100.389	124.393
Provisions	177.843	170.287
Current Tax Liability	123.759	34.039
Deferred Tax Liability	-	-
Liabilities Related to Non-Current Assets "Held For Sale" and "Held from Discontinued Operations"(Net)	-	-
Subordinated Debt	1.395.781	1.337.281
Other Liabilities	734.998	939.587
Shareholders' Equity	3.282.971	3.141.865
Total Liabilities	**37.963.544**	**34.958.869**

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

Information related to HSBC Bank's unconsolidated income statement for March 31, 2020 and March 31, 2019 were shown below with the changes.

STATEMENT OF INCOME (Thousand TL)	**31.03.2020**	**31.03.2019**
Net Interest Income	300.355	324.159
Other Non-Interest Income	314.585	213.132
Total Operating Income/Expense	**614.940**	**537.291**
Other Operating Expenses (-)	309.379	289.051
Provision for Loan Losses (-)	114.189	27.959
Net Operating Income/(Loss)	191.372	220.281
Tax Provision (-)	40.850	47.446
NET PROFIT/LOSS FOR THE PERIOD	**150.522**	**172.835**

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

Message from David Eldon, Chairman

Global economies around the world left behind an extremely challenging 2019 only to enter 2020 by witnessing the onset of a pandemic. COVID-19, as we now know, has spread rapidly across almost all countries in the world causing loss of human lives. The subsequent lockdowns and other protective measures in place are severely impacting economic activity worldwide. As a result of the pandemic, we forecast a contraction in global GDP of 3.3% (nominal GDP weights) in 2020.

The Turkish economy and markets were relatively resilient against the increased geopolitical risks in Syria in the first quarter. Economic activity continued its expansion with the help of a strong credit impulse. Yet, the emergence of the first reported COVID-19 cases on 11 March in Turkey caused a sharp fall in confidence indices, exports and other high frequency indicators as has happened elsewhere. The manufacturing PMI fell further to 33 in April from 48 in March, while the number of tourists to Turkey fell by 68% over a year ago in March. On the other hand, the sharp fall in exports and tourism revenues will likely be compensated by the sharp fall in imports thanks to lower oil prices and weaker domestic demand. As a result, we may not see a significant negative impact on the current account balance this year. The dynamic character of the Turkish economy, easier financial conditions and the normalization of daily life, which is expected to start in early June, may help in a gradual recovery of economic activity, but there are still many uncertainties in markets generally regarding the containment of the virus and complacency is not an option.

Even though the first quarter of 2020 has set the scene for an extremely challenging year ahead, we hope that swift and substantial health and economic policy actions taken collaboratively across nations will help protect people and will create a path to economic recovery, preventing further economic damage. As HSBC Bank, A.Ş, our foremost priority is to protect our customers, employees and shareholders during these unprecedented times and continue to provide our services in the most efficient manner possible.

We remain confident in our ability to effectively manage the changing needs of our customers during the crisis, none of which would be possible without the support of the Board, the Management Team, our colleagues and our customers. I thank all of them for their trust and continuing commitment to HSBC.

Sincerely,

David G. Eldon
Chairman

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

Message from Süleyman Selim Kervancı , CEO

The first quarter of 2020 was marked by severe economic disruption across all world economies causing huge impact to human lives due to the outbreak of COVID-19. We would like to extend our condolences to those who lost their lives and our best wishes to the affected. The outbreak has also significantly weakened near-term global economic prospects and Governments worldwide are taking swift economic measures to overcome the coronavirus and its economic impact.

Similarly, the pandemic has also affected Turkish economy. Recovery in the first quarter supported by strong loan growth in the banking sector, came to a halt mid-March with the emergence of COVID-19 cases in Turkey. Still, Turkish economy possibly grew by around 5.5% over a year ago in the first quarter. High frequency indicators, like the capacity utilization rate in manufacturing, started to show the negative effect of COVID-19 on the Turkish economy. The ongoing loan growth with the lower rates as a result of the total policy rate cuts of 325 bps in January-April and the sharp recovery pattern observed in the previous economic downturns are the main supporting factors for the Turkish Economy.

Turkish banking sector started 2020 in a benign operating environment with falling funding costs and easing asset quality pressures. Sector’s net profit increased by 26% compared to the same period last year. That said, the strain of COVID is yet to run through the numbers. Timely forbearance measures provided by the regulators to smooth NPL formation and protect capital ratios are likely to help banks weather the storm. That said, rising provisioning requirements under IFRS 9 and decreasing margins and commissions are likely to weigh on sector’s profitability from Q1 2020 onwards.

Given the current challenges posed by COVID-19, our topmost priority is to support our customers, employees and the community. In line with this, we have taken necessary actions when physical/manual banking has become a challenge and remote working/social distancing has become the norm. We have activated contingency plans including working from home, hygiene, infrastructural and technological arrangements and continue to remain in close contact with our customers to respond to their needs and continue uninterrupted service to the best effort we can. It is becoming increasingly evident that digital is the way forward and has a significant role to play in the way we operate as a business. We have been very well positioned through our digital platforms and infrastructure to support employees and make customers lives easier. Our Wealth and Personal Banking teams have implemented processes whereby customers can perform all of their transactions except for cash remotely. In wholesale banking, we have also implemented new solutions such as the e-signature solution which helped customers transition smoothly into the digital environment.

We have also put all our efforts to help and support our employees from a 360 wellness perspective, including their health and safety as well as their social, mental well-being including their families. With a high pace of execution, HSBC Turkey has been one of the pioneering banks in Turkey to implement remote and home office work for the majority of its’ staff including the branches and contact centers without having any problems in terms of business continuity accompanied by a structured wellness and communication program.

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

In the light of the developments related to COVID-19 pandemic, we have continued to support our customers with a loan growth of 7.5% compared to 2019 year-end. Customer Deposits have also increased by 8% and the bank continued to maintain its strong liquidity position. At the same time, we have cautiously managed our asset quality and kept the ratio of non-performing loans as 3.7%, which was far below the banking sector average in Q1 2020. Thanks to our growth agenda, supported by disciplined cost management, our operating income went up by 13.4%, while total operating expenses increase was limited by 7.6% and in Q1 2020, HSBC Turkey recorded a profit before tax of TRY200mn. We also kept our strong capital and liquidity position above the Banking Regulation and Supervision Agency target minimum ratios. In the following periods, we closely follow all the developments in the markets, especially caused by the COVID-19 outbreak and immediately take the necessary actions to protect our Bank and our customers while continuing to focus on effective risk management.

I am confident in the expertise and resilience of my management team and all our colleagues and believe that together we will do our best to overcome the current situation and continue to create sustainable value for our customers in 2020 and beyond. I would like to thank the entire HSBC Turkey team and our esteemed clients for their trust in us as their banking partner.

Sincerely,

Selim Kervancı
Chief Executive Officer

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

10. Additional Information on Period Between 01.01.2020-31.03.2020

None.