

HSBC BANK A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH AUDIT REPORT AT 31 DECEMBER 2019

“(Convenience translation of publicly announced consolidated financial statements, related disclosures and independent auditor’s report originally issued in Turkish, See note I. of Section Three)”



Güney Bağımsız Denetim ve SMMM A.Ş.
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To the General Assembly of HSBC Bank A.Ş.:

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of HSBC Bank A.Ş (“the Bank”) and its subsidiaries (collectively referred as “Group”, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of HSBC Bank A.Ş. as at December 31, 2019 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”), circulars, interpretations published by BRSA and “BRSA Accounting and Financial Reporting Legislation” which includes the provisions of Turkish Financial Reporting Standards (“TFRS”) for the matters which are not regulated by these regulations.

Basis for Opinion

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (“BRSA Independent Audit Regulation”) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (“the Code of Ethics”) published by POA and have fulfilled our other responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the matter is addressed in our audit
<p data-bbox="60 770 815 860"><i>Transition impact of TFRS 9 “Financial Instruments” Standard and recognition of impairment on financial assets related significant disclosures</i></p> <p data-bbox="60 860 815 1173">As of January 1, 2018, the Group started to implement the TFRS 9 'Financial Instruments' standard except disclosing Expected Credit Losses into Financial Statements published in the Official Gazette dated January 19, 2017 and numbered 29953 by the Public Oversight Accounting and Auditing Standards Authority. As presented in Section 3 disclosure XIII, as of 1 January 2018, the Group adopted the TFRS 9 “Financial Instruments” standard began to recognize expected credit losses of financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter since:</p> <ul data-bbox="60 1173 815 1742" style="list-style-type: none"> - Amount of on and off-balance sheet items that are subject to expected credit loss calculation is material to the financial statements - TFRS 9 transition has an effect on Group’s equity - There are complex and comprehensive requirements of TFRS 9 - The classification of the financial assets is based on the Group’s business model and characteristics of the contractual cash flows in accordance with TFRS 9 and Group uses significant judgement on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments - Policies implemented by the Group management include compliance risk to the regulations and other practices - New or re-structured processes of TFRS 9 are advanced and complex - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive <p data-bbox="60 1742 815 1966">Disclosure requirements of TFRS 9 are comprehensive and complex</p>	<p data-bbox="815 770 1474 860"></p> <p data-bbox="815 860 1474 904">Our audit procedures included among others include:</p> <ul data-bbox="815 904 1474 1966" style="list-style-type: none"> - Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group’s past experience, local and global practices - Reviewing and testing of new or re-structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists - Evaluating the reasonableness of management’s key judgments, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices - Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group’s Business Model - Assessing the appropriateness of definition significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward-looking assumptions together with the significant judgements and estimates used in these calculations to regulations and group’s past performance. Evaluating the alignment of those forward-looking parameters to Group’s internal processes where applicable - Assessing the completeness and the accuracy of the data used for expected credit loss calculation - Testing the mathematical accuracy of expected loss calculation on sample basis - Evaluating the judgments and estimates used for individually assessed financial assets - Evaluating the accuracy and the necessity of post-model adjustment. - Auditing of TFRS 9 disclosures

Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

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

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

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2019 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Damla Harman.

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



28 February 2020
İstanbul, Türkiye

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

CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş. AND ITS FINANCIAL
AFFILIATES AS OF AND FOR THE YEAR-ENDED 31 DECEMBER 2019

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


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

- GENERAL INFORMATION ABOUT PARENT BANK
- CONSOLIDATED 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 AUDIT REPORT

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

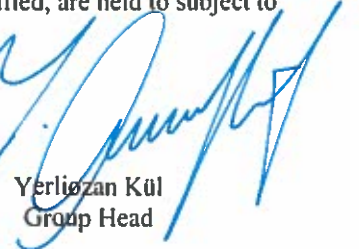
	Participations	Subsidiaries	Investments
I.	HSBC Yatırım ve Menkul Değerler A.Ş.	-	-


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


Hamit Aydoğan
Vice President of the
Executive Board


Süleyman Selim Kervancı
General
Manager


Burçin Ozan
Financial Reporting
Assistant General
Manager


Yerihozan 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:

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HSBC Bank A.Ş.

Sicil Numarası: İstanbul Ticaret Sicil Müdürlüğü - 268376

Ticaret Ünvanı: HSBC Bank A.Ş.

Şirket Merkezi: Esentepe Mah. Büyükdere Cad. No: 128 Şişli 34394 İstanbul

Sicile Kayıtlı Olduğu Yer: Esentepe Mah. Büyükdere Cad. No: 128 Şişli 34394 İstanbul - İstanbul Ticaret Sicil Md.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

HSBC BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

SECTION ONE

GENERAL INFORMATION

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 27 June 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 18 September 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 20 September 2001 the 'Share Sales Agreement' regarding the sale of all shares of Demirbank T.A.Ş., which was under in "TMSF", was signed by the Bank's main shareholder HSBC Bank Plc. According to this agreement, the required procedures shall be completed by 31 October 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 31 October 2001. In 14 December 2001, Demirbank T.A.Ş. and the Bank merged under the name of HSBC Bank Anonim Şirketi and continued its activities. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

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

As of 31 December 2019, 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. The share capital of the Parent Bank has been fully paid and registered. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Parent Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017. As of 31 December 2019, there has been no changes regarding the Parent Bank's capital structure and shareholders of the Parent Bank who are in charge of the management or auditing of the Parent Bank directly or indirectly.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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HSBC BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

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

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board:	David Gordon ELDON	Chairman	Undergraduate
Vice President of the Executive Board:	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	Doctorate
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 the Corporate Communications	Undergraduate
	Tolga TÜZÜNER ^(**)	Legal Affairs Manager	Graduate
Audit Committee:	Robert Adrian UNDERWOOD	Head of the Audit Committee	Graduate
	Neslihan ERKAZANCI	Member of the Audit Committee	Undergraduate

^(*) Georges EL HEDERY who resigned with the Board of Directors decision number 176 and dated 04.09.2019 as of the date of 01.09.2019. Martin François Christian TRICAUD who appointed with the Board of Directors decision number 177 and dated 09.09.2019 as of the date of 16.09.2019.

^(**) In accordance with Article 25/3 of the Banking Law No. 5411, Fatoş Pınar FADILLIOĞLU and Tolga TÜZÜNER appointed by the Board of Directors decision number 69 and dated 05.04.2019 as executive directors in positions equivalent to or higher than the deputy general manager.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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HSBC BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

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

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 SERVICE TYPE AND FIELDS OF
OPERATION**

The 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 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 JLT Sigorta ve Brokerlik 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 31 December 2019, the Parent Bank has 77 branches dispersed throughout the country (31 December 2018: 82 branches).

As of 31 December 2019, the number of employees of the Group is 2.063 (31 December 2018: 2.258).

VI. OTHER MATTERS

Unless otherwise stated, the consolidated financial statements and explanations and notes regarding the 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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE IN NOTE 3.1**

HSBC BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

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. is included in the scope of consolidation by line-by-line method. The Parent Bank's subsidiary HSBC Yatırım ve Menkul Değerler A.Ş. were included in the scope of full consolidation.

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

**HSBC CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019
(STATEMENT OF FINANCIAL POSITION)**

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

**SECTION TWO
CONSOLIDATED FINANCIAL STATEMENT**

I. BALANCE SHEET	Note (Section Five I)	Audited Current Period (31.12.2019)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (NET)		7.006.588	10.436.516	17.443.104
1.1 Cash and Cash Equivalents		4.880.482	9.236.495	14.116.977
1.1.1 Cash and Balances with Central Bank	(I-a)	558.602	2.553.119	3.111.721
1.1.2 Banks	(I-c)	390	10.974	11.364
1.1.3 Money Markets		4.321.936	6.672.402	10.994.338
1.1.4 Expected Credit Losses (-)		446	-	446
1.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	408.920	89.407	498.327
1.2.1 Government Debt Securities		403.353	62.186	465.539
1.2.2 Equity Instruments		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)	1.230.698	-	1.230.698
1.3.1 Government Debt Securities		1.230.698	-	1.230.698
1.3.2 Equity Instruments		-	-	-
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortized Cost	(I-b)	486.488	1.110.614	1.597.102
1.4.1 Government Debt Securities		486.488	1.110.614	1.597.102
1.4.2 Other Financial Assets	(I-k)	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST(Net)	(I-e)	7.984.503	8.310.861	16.295.364
2.1 Loans		9.263.673	8.310.861	17.574.534
2.2 Lease Receivables	(I-j)	-	-	-
2.3 Factoring Receivables		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 (-)		1.405.726	-	1.405.726
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(I-p)	2.095	-	2.095
3.1 Held for sale		2.095	-	2.095
3.2 Discontinued Operations		-	-	-
IV. INVESTMENTS		220	-	220
4.1 Investment in Associates (Net)	(I-g)	-	-	-
4.1.1 Equity Method Associates		-	-	-
4.1.2 Unconsolidated		-	-	-
4.2 Investment in Subsidiaries (Net)	(I-h)	220	-	220
4.2.1 Unconsolidated Financial Investments		-	-	-
4.2.2 Unconsolidated Non-Financial Investments		220	-	220
4.3 Equity Under Common Control (Joint Ventures) (Net)	(I-i)	-	-	-
4.3.1 Equity method associates		-	-	-
4.3.2 Unconsolidated		-	-	-
V. TANGIBLE ASSETS (Net)	(I-l)	224.791	-	224.791
VI. INTANGIBLE ASSETS (Net)	(I-m)	168.439	-	168.439
6.1 Goodwill		-	-	-
6.2 Others		168.439	-	168.439
VII. INVESTMENT PROPERTIES (Net)	(I-n)	-	-	-
VIII. CURRENT TAX ASSET		-	-	-
IX. DEFERRED TAX ASSET	(I-o)	211.012	-	211.012
X. OTHER ASSETS (Net)	(I-r)	122.618	491.226	613.844
TOTAL ASSETS		15.720.266	19.238.603	34.958.869

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2018
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five I)	Audited Prior Period (31.12.2018)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (NET)		3.305.188	12.790.209	16.095.397
I.1 Cash and Cash Equivalents		2.741.578	11.794.327	14.535.905
1.1.1 Cash and Balances with Central Bank	(I-a)	2.340.898	3.724.557	6.065.455
1.1.2 Banks	(I-c)	30.422	24.541	54.963
1.1.3 Money Markets		370.258	8.045.229	8.415.487
I.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	22.298	24.938	47.236
1.2.1 Government Debt Securities		16.731	10.282	27.013
1.2.2 Equity Instruments		5.567	14.656	20.223
1.2.3 Other Financial Assets		-	-	-
I.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-d)	511.129	-	511.129
1.3.1 Government Debt Securities		511.129	-	511.129
1.3.2 Equity Instruments		-	-	-
1.3.3 Other Financial Assets		-	-	-
I.4 Financial Assets Measured at Amortized Cost	(I-f)	-	-	-
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
I.5 Derivative Financial Assets	(I-b)	30.183	970.944	1.001.127
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		30.183	970.944	1.001.127
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-
II. LOANS (Net)	(I-e)	9.863.914	5.834.658	15.698.572
2.1 Loans		9.619.889	5.695.262	15.315.151
2.1.1 Loans Measured at Amortized Cost		9.619.889	5.695.262	15.315.151
2.1.2 Loans at Fair Value Through Profit or Loss		-	-	-
2.1.3 Loans at Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(I-j)	-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		52.886	139.396	192.282
2.3.1 Measured at Amortized Cost		52.886	139.396	192.282
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		881.914	-	881.914
2.5 Specific Provisions (-)		690.775	-	690.775
III. NON-CURRENT ASSETS OR DISPOSAL GROUPS “HELD FOR SALE” AND “HELD FROM DISCONTINUED OPERATIONS” (Net)	(I-p)	1.369	-	1.369
3.1 Held for Sale Purpose		1.369	-	1.369
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		220	-	220
4.1 Investments in Associates (Net)	(I-g)	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Investment in Subsidiaries (Net)	(I-h)	220	-	220
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		220	-	220
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	(I-i)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(I-l)	101.877	-	101.877
VI. INTANGIBLE ASSETS (Net)	(I-m)	150.954	-	150.954
6.1 Goodwill		-	-	-
6.2 Other		150.954	-	150.954
VII. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-
VIII. CURRENT TAX ASSET		10.103	-	10.103
IX. DEFERRED TAX ASSET	(I-o)	139.325	-	139.325
X. OTHER ASSETS	(I-r)	139.046	511.875	650.921
TOTAL ASSETS		13.711.996	19.136.742	32.848.738

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2019
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Audited Prior Period (31.12.2019)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	(II-a)	7.159.651	20.580.614	27.740.265
II. FUNDS BORROWED	(II-d)	-	30.720	30.720
III. MONEY MARKET BALANCES	(II-c)	-	-	-
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)	464.612	975.820	1.440.432
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		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)	113.371	11.022	124.393
X. PROVISIONS	(II-h)	168.980	1.307	170.287
10.1 Restructuring Provisions		4.114	-	4.114
10.2 Reverse for Employee Benefits		67.818	-	67.818
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		97.048	1.307	98.355
XI. CURRENT TAX LIABILITY	(II-i)	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)	-	1.337.281	1.337.281
14.1 Loans		-	1.337.281	1.337.281
14.2 Other Debt Instruments		-	-	-
XV. OTHER LIABILITIES	(II-e)	765.993	173.594	939.587
XVI. SHAREHOLDERS' EQUITY	(II-l)	3.141.865	-	3.141.865
16.1 Paid-in capital		652.290	-	652.290
16.2 Capital Reserves		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
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(24.980)	-	(24.980)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		26.399	-	26.399
16.5 Profit Reserves		1.736.591	-	1.736.591
16.5.1 Legal Reserves		198.999	-	198.999
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		1.537.592	-	1.537.592
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or Loss		478.872	-	478.872
16.6.1 Prior Years' Profit/Loss		-	-	-
16.6.2 Current Year Profit/Loss		478.872	-	478.872
16.7 Minority Interest		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11.848.511	23.110.358	34.958.869

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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**HSBC BANK A.Ş.
CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2018
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Audited Prior Period (31.12.2018)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	(II-a)	7.509.066	17.349.423	24.858.489
II. FUNDS BORROWED	(II-d)	1.200.041	37.960	1.238.001
III. MONEY MARKET BALANCES	(II-c)	-	-	-
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)	25.921	915.173	941.094
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		25.921	915.173	941.094
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES	(II-f)	-	-	-
9.1 Financial Lease Payables		-	-	-
9.2 Operational Lease Payables		-	-	-
9.3 Other		-	-	-
9.4 Deferred Finance Lease Expenses (-)		-	-	-
X. PROVISIONS	(II-h)	411.041	191.627	602.668
10.1 General Loan Loss Provisions		214.376	190.384	404.760
10.2 Provision for Restructuring		49.459	-	49.459
10.3 Reserves for Employee Benefits		65.581	-	65.581
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		81.625	1.243	82.868
XI. CURRENT TAX LIABILITY	(II-i)	57.768	-	57.768
XII. DEFERRED TAX LIABILITY	(II-i)	-	-	-
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS “HELD FOR SALE” AND “HELD FROM DISCONTINUED OPERATIONS” (Net)	(II-j)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT	(II-k)	-	1.545.585	1.545.585
14.1 Loans		-	1.545.585	1.545.585
14.2 Other Debt Instruments		-	-	-
XV. OTHER LIABILITIES	(II-e)	590.346	27.930	618.276
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.986.857	-	2.986.857
16.1 Paid-in Capital		652.290	-	652.290
16.2 Capital Reserves		272.693	-	272.693
16.2.1 Equity Share Premiums		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		272.693	-	272.693
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(28.652)	-	(28.652)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(43.708)	-	(43.708)
16.5 Profit Reserves		1.787.586	-	1.787.586
16.5.1 Legal Reserves		196.518	-	196.518
16.5.2 Statutory Reserves		-	-	-
16.5.3 Extraordinary Reserves		1.591.068	-	1.591.068
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or (Loss)		346.648	-	346.648
16.6.1 Prior Periods' Profit/(Loss)		-	-	-
16.6.2 Current Period Profit/(Loss)		346.648	-	346.648
16.7 Minority Interest		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12.781.040	20.067.698	32.848.738

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**HSBC BANK A.Ş.
CONSOLIDATED FINANCIAL STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2019**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Audited Current Period (31.12.2019)		
		TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		40.296.122	94.305.325	134.601.447
I. GUARANTEES AND COLLATERALS	(III-a-2,3)	1.149.048	3.616.378	4.765.426
1.1 Letters of Guarantee		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		1.125.841	1.741.369	2.867.210
1.2 Bank Acceptances		-	1.029	1.029
1.2.1 Import Letter of Acceptance		-	1.029	1.029
1.2.2 Another Bank Acceptance		-	-	-
1.3 Letters of Credit		23.207	1.655.053	1.678.260
1.3.1 Documentary Letters of Credit		23.207	984.121	1.007.328
1.3.2 Other Letters of Credit		-	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		-	218.927	218.927
1.9 Other Collaterals		-	-	-
II. COMMITMENTS	(III-a-1)	5.968.023	4.753.441	10.721.464
2.1 Irrevocable Commitments		5.968.023	4.753.441	10.721.464
2.1.1 Forward Asset Purchase and Sale Commitments		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		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		20.119	-	20.119
2.1.8 Tax and Fund Liabilities from Export Commitments		-	2.286	2.286
2.1.9 Commitments for Credit Card Expenditure Limits		3.206.861	-	3.206.861
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		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		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)	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		33.179.051	85.935.506	119.114.557
3.2.1 Forward Foreign Currency Buy/Sell Transactions		5.511.577	9.157.496	14.669.073
3.2.1.1 Forward Foreign Currency Transactions-Buy		4.346.642	2.997.361	7.344.003
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.164.935	6.160.135	7.325.070
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		14.966.436	63.391.217	78.357.653
3.2.2.1 Foreign Currency Swap-Buy		3.892.839	23.141.100	27.033.939
3.2.2.2 Foreign Currency Swap-Sell		11.073.597	17.570.101	28.643.698
3.2.2.3 Interest Rate Swap-Buy		-	11.340.008	11.340.008
3.2.2.4 Interest Rate Swap-Sell		-	11.340.008	11.340.008
3.2.3 Foreign Currency, Interest Rate, and Securities Options		12.701.036	11.500.072	24.201.108
3.2.3.1 Foreign Currency Options-Buy		6.350.518	5.750.036	12.100.554
3.2.3.2 Foreign Currency Options-Sell		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	1.886.721	1.886.723
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		449.766.744	35.816.881	485.583.625
IV. ITEMS HELD IN CUSTODY		382.267.676	9.991.040	392.258.716
4.1 Customers' Securities Held		161.637	-	161.637
4.2 Investment Securities Held in Custody		380.565.725	6.698.385	387.264.110
4.3 Checks Received for Collection		4.243	95.029	99.272
4.4 Commercial Notes Received for Collection		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		1.405.858	3.158.159	4.564.017
4.8 Custodians		-	-	-
V. PLEDGES ITEMS		66.025.279	16.404.321	82.429.600
5.1 Marketable Securities		51.931	862.707	914.638
5.2 Guarantee Notes		34.602	297.485	332.087
5.3 Commodity		669.505	726.493	1.395.998
5.4 Warranty		-	-	-
5.5 Real Estate		3.694.067	7.149.704	10.843.771
5.6 Other Pledged Items		61.575.174	7.367.932	68.943.106
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS		1.473.789	9.421.520	10.895.309
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		490.062.866	130.122.206	620.185.072

Note: Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 21 to 152 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2018**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Audited Prior Period (31.12.2018)		
		TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		23.566.213	69.331.661	92.897.874
I. GUARANTEES AND WARRANTIES	(III-a-2,3)	1.012.441	2.645.721	3.658.162
1.1 Letters of Guarantee		1.004.441	839.193	1.843.634
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		1.004.441	839.193	1.843.634
1.2 Bank Acceptances		-	203.137	203.137
1.2.1 Import Letter of Acceptance		-	203.137	203.137
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		8.000	1.248.433	1.256.433
1.3.1 Documentary Letters of Credit		8.000	1.084.585	1.092.585
1.3.2 Other Letters of Credit		-	163.848	163.848
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-
1.7 Factoring Guarantees		-	-	-
1.8 Other Guarantees		-	354.958	354.958
1.9 Other Collaterals		-	-	-
II. COMMITMENTS	(III-a-1)	5.503.976	2.060.592	7.564.568
2.1 Irrevocable Commitments		5.503.976	2.060.592	7.564.568
2.1.1 Asset Purchase and Sale Commitments		1.095.069	1.563.472	2.658.541
2.1.2 Forward Deposit Purchase and Sales Commitments		-	496.641	496.641
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4 Loan Granting Commitments		408.147	-	408.147
2.1.5 Securities Issue Brokerage Commitments		-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-
2.1.7 Commitments for Cheque Payments		21.519	-	21.519
2.1.8 Tax and Fund Liabilities from Export Commitments		-	2.286	2.286
2.1.9 Commitments for Credit Card Limits		3.398.789	-	3.398.789
2.1.10 Commitments for Credit Cards and Banking Services Promotions		12.995	-	12.995
2.1.11 Receivables From Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13 Other Irrevocable Commitments		565.171	479	565.650
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	17.049.796	64.625.348	81.675.144
3.1 Hedging Derivative Financial Instruments		-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-
3.2 Trading Transactions		17.049.796	64.625.348	81.675.144
3.2.1 Forward Foreign Currency Buy/Sell Transactions		5.165.979	5.866.996	11.032.975
3.2.1.1 Forward Foreign Currency Transactions-Buy		4.273.312	1.520.565	5.793.877
3.2.1.2 Forward Foreign Currency Transactions-Sell		892.667	4.346.431	5.239.098
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		7.947.553	52.833.198	60.780.751
3.2.2.1 Foreign Currency Swap-Buy		2.129.310	15.417.132	17.546.442
3.2.2.2 Foreign Currency Swap-Sell		5.818.243	12.142.832	17.961.075
3.2.2.3 Interest Rate Swap-Buy		-	12.636.617	12.636.617
3.2.2.4 Interest Rate Swap-Sell		-	12.636.617	12.636.617
3.2.3 Foreign Currency, Interest rate and Securities Options		3.936.264	5.881.126	9.817.390
3.2.3.1 Foreign Currency Options-Buy		1.968.132	2.940.563	4.908.695
3.2.3.2 Foreign Currency Options-Sell		1.968.132	2.940.563	4.908.695
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		-	44.028	44.028
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		97.562.233	30.590.524	128.152.757
IV. ITEMS HELD IN CUSTODY		88.495.507	10.131.365	98.626.872
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		86.244.819	7.567.772	93.812.591
4.3 Checks Received for Collection		6.235	93.238	99.473
4.4 Commercial Notes Received for Collection		155.033	62.368	217.401
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		2.089.420	2.407.987	4.497.407
4.8 Custodians		-	-	-
V. PLEDGES RECEIVED		7.961.235	13.712.633	21.673.868
5.1 Marketable Securities		51.931	766.825	818.756
5.2 Guarantee Notes		93.158	317.422	410.580
5.3 Commodity		486.960	660.003	1.146.963
5.4 Warranty		-	-	-
5.5 Immovable Properties		4.292.439	4.757.428	9.049.867
5.6 Other Pledged Items		3.036.747	7.210.955	10.247.702
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		1.105.491	6.746.526	7.852.017
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		121.128.446	99.922.185	221.050.631

Note: Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 21 to 152 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED
31 DECEMBER 2019**

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

III. STATEMENT OF PROFIT OR LOSS		Audited	
INCOME AND EXPENSE ITEMS		Note (Section Five IV)	Current Period (01.01.2019 – 31.12.2019)
I.	INTEREST INCOME	(IV-a)	3.254.551
1.1	Interest Income on Loans	(IV-a-1)	2.249.827
1.2	Interest Received from Reserve Requirements		39.186
1.3	Interest Received from Banks	(IV-a-2)	156.959
1.4	Interest Received from Money Market Transactions		644.748
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	148.899
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		62.356
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		86.543
1.5.3	Financial Assets at Measured at Amortized Cost		-
1.6	Financial Lease Income		-
1.7	Other Interest Income		14.932
II.	INTEREST EXPENSE (-)	(IV-b)	1.739.182
2.1	Interest Expense on Deposits	(IV-b-4)	1.443.772
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	256.356
2.3	Interest Expense on Money Market Transactions		16.390
2.4	Interest on Securities Issued	(IV-b-3)	-
2.5	Interests on Leasing		18.991
2.6	Other Interest Expenses		3.673
III.	NET INTEREST INCOME/EXPENSE (I - II)		1.515.369
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		455.937
4.1	Fees and Commissions Received		498.426
4.1.1	Non-Cash Loans		63.612
4.1.2	Other	(IV-1)	434.814
4.2	Fees and Commissions Paid (-)		42.489
4.2.1	Non-Cash Loans		653
4.2.2	Other		41.836
V	DIVIDEND INCOME	(IV-c)	6.420
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	(89.707)
6.1	Trading Gains/(Losses) on Securities		78.568
6.2	Derivative Financial Transactions Gains/(Losses)		268.429
6.3	Foreign Exchange Gains/(Losses)		(436.704)
VII.	OTHER OPERATING INCOME	(IV-e)	303.789
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)		2.191.808
IX.	PROVISION FOR LOAN LOSSES (-)	(IV-f)	348.413
X.	OTHER PROVISION LOSSES (-)		15.757
XI.	PERSONNEL EXPENSE (-)		503.847
XII.	OTHER OPERATING EXPENSES (-)	(IV-g)	702.670
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		621.121
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XV.	INCOME/(LOSS) ON NET MONETARY POSITION		-
XVI.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)		-
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)		621.121
XVIII.	OTHER OPERATING INCOME	(IV-i)	(142.249)
18.1	Current Tax Provision		(106.266)
18.2	Deferred Tax Income Effect (+)		(35.983)
18.3	Deferred Tax Expense Effect (-)		-
XIX.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVI±XVII)	(IV-j)	478.872
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 (XIX-XX)		-
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 (XXI±XXII)		-
XXV.	NET PROFIT/LOSSES (XVIII+XXIII)	(IV-k)	478.872
	Earnings/Loss per Share		0,007341

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period financial statements and related disclosures are no presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 21 to 152 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD
ENDED 31 DECEMBER 2018**

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

III. STATEMENT OF PROFIT OR LOSS		Audited	
		Note (Section Five IV)	Prior Period (01.01.2018 – 31.12.2018)
INCOME AND EXPENSE ITEMS			
I.	INTEREST INCOME	(IV-a)	3,027,592
1.1	Interest Income on Loans	(IV-a-1)	2,284,578
1.2	Interest Received from Reserve Requirements		47,577
1.3	Interest Received from Banks	(IV-a-2)	450,506
1.4	Interest Received from Money Market Transactions		137,365
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	101,089
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		17,406
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		83,683
1.5.3	Financial Assets at Measured at Amortized Cost		-
1.6	Financial Lease Income		-
1.7	Other Interest Income		6,477
II.	INTEREST EXPENSE	(IV-b)	1,555,025
2.1	Interest Expense on Deposits	(IV-b-4)	1,247,826
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	262,645
2.3	Interest Expense on Money Market Transactions		31,667
2.4	Interest on Securities Issued	(IV-b-3)	-
2.5	Other Interest Expenses		12,887
III.	NET INTEREST INCOME/EXPENSE (I + II)		1,472,567
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		439,046
4.1	Fees and Commissions Received		480,382
4.1.1	Non-Cash Loans		36,969
4.1.2	Other	(IV-l)	443,413
4.2	Fees and Commissions Paid		41,336
4.2.1	Non-Cash Loans		696
4.2.2	Other		40,640
V.	PERSONNEL EXPENSES (-)	(IV-g)	459,738
VI.	DIVIDEND INCOME	(IV-c)	165
VII.	TRADING INCOME/(LOSS) (Net)	(IV-d)	(398,944)
7.1	Trading Gains/(Losses) on Securities		(7,311)
7.2	Derivative Financial Transactions Gains/(Losses)		2,021,462
7.3	Foreign Exchange Gains/(Losses)		(2,413,095)
VIII.	OTHER OPERATING INCOME	(IV-e)	246,998
IX.	TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)		1,300,094
X.	PROVISION FOR LOAN LOSSES (-)	(IV-f)	228,698
XI.	OTHER OPERATING EXPENSES (-)	(IV-g)	614,088
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		457,308
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-
XV.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)		-
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)		457,308
XVII.	OTHER OPERATING INCOME	(IV-i)	(110,660)
17.1	Current Tax Provision		(16,185)
17.2	Deferred Tax Income Effect (+)		(94,475)
17.3	Deferred Tax Expense Effect (-)		-
XVIII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVI±XVII)	(IV-j)	346,648
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income from Non-Current Assets Held for Resale		-
19.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-
19.3	Other Income From Discontinued Operations		-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1	Expenses for Non-Current Assets Held for Resale		-
20.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-
20.3	Other Expenses From Discontinued Operations		-
XXI.	PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XIX-XX)		-
XXII.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-
22.1	Current Tax Provision		-
22.2	Deferred Tax Income Effect (+)		-
22.3	Deferred Tax Expense Effect (-)		-
XXIII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV.	NET PROFIT/LOSSES (XVIII+XXIII)	(IV-k)	346,648
23.1	Group's profit/loss		346,648
23.2	Minority interest		-
	Earning/Loss per Share		0,005314

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 21 to 152 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED**

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

IV. STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited Current Period (31.12.2019)
I.	CURRENT PERIOD INCOME/LOSS	478.872
II.	OTHER COMPREHENSIVE INCOME	73.779
2.1	Not Reclassified Through Profit or Loss	3.672
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	4.638
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	(966)
2.2	Reclassified Through Profit or Loss	70.107
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	90.383
2.2.3	Cash Flow Hedge Income/Loss	(2.559)
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(17.717)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	552.651

		Audited Prior Period (31.12.2018)
I.	CURRENT PERIOD INCOME/LOSS	346.648
II.	OTHER COMPREHENSIVE INCOME	(23.164)
2.1	Not Reclassified Through Profit or Loss	2.514
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	3.124
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	(610)
2.2	Reclassified Through Profit or Loss	(25.678)
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	(30.217)
2.2.3	Cash Flow Hedge Income/Loss	(2.831)
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	7.370
III.	TOTAL COMPREHENSIVE INCOME (I+II)	323.484

Note: The prior period consolidated financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 31 December 2019 and 31 December 2018 consolidated financial statements are prepared on different principles, 2018 financial statements are presented separately.

The accompanying explanations and notes set out on pages 21 to 152 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

HSBC BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY																
Audited Prior Period 31 December 2018	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
					1	2	3	4	5	6						
I. Balances at the Beginning of the Period – 31 December 2017	652.290	-	-	272.693	-	(31.166)	-	-	(16.776)	4.592	1.434.920	-	290.634	2.607.187	-	2.607.187
II. Corrections According to TAS 8	-	-	-	-	-	-	-	-	(5.846)	-	-	92.032	-	86.186	-	86.186
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	(5.846)	-	-	92.032	-	86.186	-	86.186
III. Adjusted Beginning Balance (I+II)	652.290	-	-	272.693	-	(31.166)	-	-	(22.622)	4.592	1.434.920	92.032	290.634	2.693.373	-	2.693.373
IV. Total Comprehensive Income	-	-	-	-	-	2.514	-	-	(23.470)	(2.208)	-	-	346.648	323.484	-	323.484
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	-	-	-	-	-	-	-	-	-	-	352.666	(92.032)	(290.634)	(30.000)	-	(30.000)
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	(30.000)	-	-	(30.000)	-	(30.000)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	382.666	(92.032)	(290.634)	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period-End Balance (III+IV+.....+X+XI)	652.290	-	-	272.693	-	(28.652)	-	-	(46.092)	2.384	1.787.586	-	346.648	2.986.857	-	2.986.857

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

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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IN TURKISH, SEE IN NOTE 3.1**

HSBC BANK A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY																	
Audited Current Period 31 December 2019	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Shareholder s' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
						1	2	3	4	5	6						
I. Balances at the Beginning of the Period - 31 December 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		-	-	-	-	-	3.672	-	-	72.103	(1.996)	-	-	478.872	552.651	-	552.651
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		-	-	-	-	-	-	-	-	-	-	(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	-	(24.980)	-	-	26.011	388	1.736.591	-	478.872	3.141.865	-	3.141.865

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).

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 21 to 152 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENT ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
ENDED 31 DECEMBER 2019**

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

VI. STATEMENT OF CASH FLOW		Audited Current Period (31.12.2019)
	Note (Five Section VI)	
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(VI-a)	951.014
1.1.1 Interest Received	(VI-a)	3.282.507
1.1.2 Interest Paid	(VI-a)	(1.918.988)
1.1.3 Dividend Received		6.420
1.1.4 Fees and Commissions Received		482.237
1.1.5 Other Income		84.022
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		148.452
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(462.835)
1.1.8 Taxes Paid		(155.888)
1.1.9 Other		(514.913)
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations		(103.641)
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(440.128)
1.2.2 Net Decrease in Due From Banks		(929.050)
1.2.3 Net (Increase) in Loans		(1.819.634)
1.2.4 Net (Increase) in Other Assets		(127.814)
1.2.5 Net Increase in Bank Deposits		(1.641.587)
1.2.6 Net Increase/(Decrease) in Other Deposits		4.608.345
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net (Decrease) in Funds Borrowed		-
1.2.9 Net Increase/(Decrease) in Matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(VI-a)	246.227
I. Net Cash Provided From Banking Operations		847.373
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided From Investing Activities		(679.067)
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		(32.533)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		-
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(938.512)
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		335.700
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		(43.722)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided From Financing Activities		(1.520.517)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		(1.481.051)
3.3 Equity Instruments Issued		-
3.4 Dividends Paid		-
3.5 Payments for Finance Lease Liabilities		(39.466)
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(VI-a)	4.245
V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		(1.347.966)
VI. Cash and Cash Equivalents at Beginning of the Period	(VI-d)	13.222.563
VII. Cash and Cash Equivalents at End of the Period	(VI-d)	11.874.597

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 21 to 152 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD
ENDED 31 DECEMBER 2018**

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

VI. STATEMENT OF CASH FLOW		Audited Prior Period (31.12.2018)
	Note (Five Section VI)	
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(VI-a)	633.321
1.1.1 Interest Received	(VI-a)	2.914.281
1.1.2 Interest Paid	(VI-a)	(1.410.764)
1.1.3 Dividend Received		151
1.1.4 Fees and Commissions Received		469.858
1.1.5 Other Income		246.998
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		173.330
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(459.216)
1.1.8 Taxes Paid		(110.173)
1.1.9 Other		(1.191.144)
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations		7.164.974
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		248.677
1.2.2 Net Decrease in Due From Banks		447
1.2.3 Net (Increase) in Loans		(240.628)
1.2.4 Net (Increase) in Other Assets		(398.580)
1.2.5 Net Increase in Bank Deposits		367.663
1.2.6 Net Increase/(Decrease) in Other Deposits		8.025.939
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net (Decrease) in Funds Borrowed		(954.389)
1.2.9 Net Increase/(Decrease) in Matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(VI-a)	115.845
I. Net Cash Provided From Banking Operations		7.798.295
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided From Investing Activities		668.425
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		(69.042)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		8.710
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(147.633)
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		903.718
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		(27.328)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided From Financing Activities		(30.000)
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		(30.000)
3.5 Payments for Finance Lease Liabilities		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(VI-a)	1.695
V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		8.438.415
VI. Cash and Cash Equivalents at Beginning of the Period	(VI-d)	4.784.148
VII. Cash and Cash Equivalents at End of the Period	(VI-d)	13.222.563

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**HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD
ENDED 31 DECEMBER 2019**

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

VII. STATEMENT OF PROFIT DISTRIBUTION	Audited Current Period (31.12.2019) (‘)
I. DISTRIBUTION OF CURRENT YEAR INCOME	
1.1. Current Year Income	601.727
1.2. Taxes And Duties Payable (-)	131.796
1.2.1 Corporate Tax (Income tax)	96.058
1.2.2 Income withholding tax	-
1.2.3 Other taxes and duties	35.738
A. NET INCOME FOR THE YEAR (1.1-1.2)	469.931
1.3. Prior Year Losses (-)	-
1.4. First Legal Reserves (-)	-
1.5. Other Statutory Reserves (-)	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	469.931
1.6. First Dividend To Shareholders (-)	-
1.6.1 To Owners Of Ordinary Shares	-
1.6.2 To Owners Of Privileged Shares	-
1.6.3 To Owners Of Preferred Shares	-
1.6.4 To Profit Sharing Bonds	-
1.6.5 To Holders Of Profit And Loss Sharing Certificates	-
1.7. Dividends To Personnel (-)	-
1.8. Dividends To Board Of Directors (-)	-
1.9. Second Dividend To Shareholders (-)	-
1.9.1 To Owners Of Ordinary Shares	-
1.9.2 To Owners Of Privileged Shares	-
1.9.3 To Owners Of Preferred Shares	-
1.9.4 To Profit Sharing Bonds	-
1.9.5 To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	-
1.11. Statutory Reserves (-)	-
1.12. Extraordinary Reserves	-
1.13. Other Reserves	-
1.14. Special Funds	-
II. DISTRIBUTION OF RESERVES	
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends To Shareholders (-)	-
2.3.1 To Owners Of Ordinary Shares	-
2.3.2 To Owners Of Privileged Shares	-
2.3.3 To Owners Of Preferred Shares	-
2.3.4 To Profit Sharing Bonds	-
2.3.5 To Holders Of Profit And Loss Sharing Certificates	-
2.4. Dividends To Personnel (-)	-
2.5. Dividends To Board Of Directors (-)	-
III. EARNINGS PER SHARE (**)	
3.1. To Owners Of Ordinary Shares	0,007204
3.2. To Owners Of Ordinary Shares (%)	-
3.3. To Owners Of Privileged Shares	-
3.4. To Owners Of Privileged Shares (%)	-
IV. DIVIDEND PER SHARE	
4.1. To Owners Of Ordinary Shares	-
4.2. To Owners Of Ordinary Shares (%)	-
4.3. To Owners Of Privileged Shares	-
4.4. To Owners Of Privileged Shares (%)	-

(*) As of reporting date, yearly ordinary meeting of the General Assembly has not been held yet to decide on the profit distribution for the year 2019.

(**) 1.000 nominal is expressed in full TL.

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**HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD
ENDED 31 DECEMBER 2018**

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

.VII. STATEMENT OF PROFIT DISTRIBUTION	Audited Prior Period (31.12.2018)
I. DISTRIBUTION OF CURRENT YEAR INCOME	
1.1. Current Year Income	437.284
1.2. Taxes And Duties Payable (-)	101.700
1.2.1. Corporate Tax (Income tax)	6.748
1.2.2. Income withholding tax	-
1.2.3. Other taxes and duties	94.952
A. NET INCOME FOR THE YEAR (1.1-1.2)	335.584
1.3. Prior Year Losses (-)	-
1.4. First Legal Reserves (-)	-
1.5. Other Statutory Reserves (-)	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	335.584
1.6. First Dividend To Shareholders (-)	-
1.6.1. To Owners Of Ordinary Shares	-
1.6.2. To Owners Of Privileged Shares	-
1.6.3. To Owners Of Preferred Shares	-
1.6.4. To Profit Sharing Bonds	-
1.6.5. To Holders Of Profit And Loss Sharing Certificates	-
1.7. Dividends To Personnel (-)	-
1.8. Dividends To Board Of Directors (-)	-
1.9. Second Dividend To Shareholders (-)	-
1.9.1. To Owners Of Ordinary Shares	-
1.9.2. To Owners Of Privileged Shares	-
1.9.3. To Owners Of Preferred Shares	-
1.9.4. To Profit Sharing Bonds	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	-
1.11. Statutory Reserves (-)	-
1.12. Extraordinary Reserves	335.584
1.13. Other Reserves	-
1.14. Special Funds	-
II. DISTRIBUTION OF RESERVES	-
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends To Shareholders (-)	-
2.3.1. To Owners Of Ordinary Shares	-
2.3.2. To Owners Of Privileged Shares	-
2.3.3. To Owners Of Preferred Shares	-
2.3.4. To Profit Sharing Bonds	-
2.3.5. To Holders Of Profit And Loss Sharing Certificates	-
2.4. Dividends To Personnel (-)	-
2.5. Dividends To Board Of Directors (-)	-
III. EARNINGS PER SHARE (**)	-
3.1. To Owners Of Ordinary Shares	0,005145
3.2. To Owners Of Ordinary Shares (%)	-
3.3. To Owners Of Privileged Shares	-
3.4. To Owners Of Privileged Shares (%)	-
IV. DIVIDEND PER SHARE	-
4.1. To Owners Of Ordinary Shares	-
4.2. To Owners Of Ordinary Shares (%)	-
4.3. To Owners Of Privileged Shares	-
4.4. To Owners Of Privileged Shares (%)	-

(*) 1.000 nominal is expressed in full TL.

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HSBC BANK A.Ş.

NOTES TO RELATED TO CONSOLIDATED FINANCIAL STATEMENT AT 31 DECEMBER 2019

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Financial Reporting Standards (“TFRS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (all referred as “Reporting Standards”). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Group maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

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

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

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2018 except for the application of calculation of loan allowance according to “TFRS 9 Financial Instruments” and application of “TFRS 16 Leases”.

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

c. Items subject to different accounting policies in the preparation of consolidated financial statements

There are no items subject to different accounting policies in the preparation of these consolidated financial statements.

**HSBC CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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HSBC BANK A.Ş.

NOTES TO RELATED TO CONSOLIDATED FINANCIAL STATEMENT AT 31 DECEMBER 2019

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

I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

Changes in Accounting policies and disclosures

Explanations on TFRS 16 “Leases”:

TFRS 16 Leasing 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 financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Group has started to apply “TFRS 16 Leases” Standard starting from January 1, 2019.

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

Right of Use Assets

The Group recognizes 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 recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right to use includes the presence of:

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

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

Lease Liabilities

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

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

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

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.

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HSBC BANK A.Ş.

NOTES TO RELATED TO CONSOLIDATED FINANCIAL STATEMENT AT 31 DECEMBER 2019

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

I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

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 recognized as expense on a straight-line basis over the lease term.

The Group has started to apply TFRS 16, the usage rights assets classified under tangible assets as of December 31, 2019 amounted to TL 154.874, lease liability amounted to TL 124.393, financing expense amounted to TL 32.143 and depreciation expense amounted to TL 18.991.

Explanations on TFRS 9 “Financial Instruments”:

Explanations on TFRS 9 “Financial Instruments” are explained in Note XXVI.

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 Parent 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 Group’s exchange rates. Gains and losses arising from such valuations are recognized in the income statement under the account of “Foreign exchange gains or losses”; except for foreign currency non-performing loans and other foreign currency denominated non-monetary assets and liabilities.

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III. EXPLANATIONS ON CONSOLIDATED INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Group has no investments in associates as of 31 December 2019. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard for Individual Financial Instruments (“TAS 27”) in the consolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiary of the Parent 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 10 December 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 17 October 2019, dischargement process of HSBC Ödeme has started. In pursuit of completion of legal necessities regarding dischargement, dischargement will be placed as of the date of May 11, 2020.

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

Title	Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%)
HSBC Yatırım ve Menkul Değerler A.Ş.	Full consolidation	Turkey	Securities Intermediary Service	99,87

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

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

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VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

All fees and commission income/expenses are recognized on an accrual basis in accordance with the matching principle or “Effective Rate Method (Internal Rate of Return Method)” and TFRS 15 “Revenue from Customer Contracts”, except for certain commission income for various banking services, which are recorded as income at the time of collection. Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third party or legal person are recognized 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 Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Parent Bank’s management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments are made to earnings, losses or interest that were previously recorded in the financial statements.

Classification and measurement of financial instruments

According to 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 considers:

- 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

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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.

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.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, 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.

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

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c) Financial Assets Measured in Amortized Cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition, they are carried at "Amortized Cost" using the effective interest method. As of 31 December 2019, and 31 December 2018, 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 LOSS

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 1 January 2019, the Bank recognizes a loss allowance for expected credit losses based on the regulation published in the Official Gazette no. 29750 dated 22 June 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 explained in detail in the accounting policy numbered X-a as of 31 December 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.

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSS (Continued)

Calculation of expected credit losses

The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). The PD and LGD parameters used in calculating the expected credit loss are calculated as point in time PD (PIT), including both current and expected cycle 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 calculating the expected credit loss for financial instruments is performed individually by the specialist business unit, the probability of the credit loss is evaluated by taking into account the realization of the credit loss. The assessments for different scenarios are weighted according to their probability of realization and the estimated credit loss is calculated.

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

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.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. 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. The Parent Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSS (Continued)

Exposure at Default (EAD):

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

Calculating Expected Loss Period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the 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 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 due to restructuring
- 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

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IX. DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

Based on TFRS 9, The Parent Bank 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.

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IX. DERECOGNITION OF FINANCIAL INSTRUMENTS (Continued)

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.

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.

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X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES

a) Loans and Receivables:

Loans are financial assets raised through lending, providing services or products. Assets in this subject are reflected in the balance sheet measured at amortized cost using effective interest rate method.

The Parent Bank makes risk assessment for the loans on the consumer and portfolio basis and provides specific provisions for the non-performing loans not less than the determined minimum rates according to 10th, 11th, 13th and 15th articles of the “Regulation on Procedures and Principles for Determination of Qualifications of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 and numbered 29750. In addition to the non-performing loans, the Parent Bank provides general loan loss provisions for the loans and receivables which are defined in the same communiqué. The interests and accruals of the non-performing loans are derecognized from the financial statement and provision expense is recognized in the income statement. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

The Parent Bank’s loans are recorded under the “Measured at Amortized Cost” account.

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 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 31 December 2019, and 31 December 2018, the Group has no discontinued operations.

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XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

As of 31 December 2019, there is no net book value of goodwill (31 December 2018: 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 are carried at cost less accumulated depreciation and provision for value impairment. The costs of the property and equipment purchased before 31 December 2004 or subject to inflation indexation until 31 December 2004. Property and equipment purchased after 31 December 2004 are recognized with their purchase cost in the financial statements. Property and equipment are amortized by using the straight-line method based on their useful lives, such as buildings depreciated at rate 2%, vehicles at rate 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 Bank does not provide finance lease services as a “Lessor”.

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

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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 recognized 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 financial statements of the period in which the change occurs.

XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated, and yearly discount rate is 2,55% (31 December 2018: 4,50%).

As of 31 December 2019, actuarial loss amounted to TL 24.980 (31 December 2018: TL 28.652 loss) is recognized under other income reserves in the financial statements.

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

XX. EXPLANATIONS ON TAXATION

a) Current Tax:

According to the article no. 32 of “Corporate Tax Law” No. 5520 was published in the Official Gazette, No. 26205 dated 21 June 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 5 December 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.

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XX. EXPLANATIONS ON TAXATION (Continued)

a) Current Tax (Continued):

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

b) Deferred Tax Asset/Liability:

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

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 31 December 2019, the Group has recognized deferred tax receivables amounting to TL 211.012 as assets (31 December 2018: Deferred tax receivables amounting to TL 139.325 as assets).

Various operations and calculations with unascertained effects on final tax amount occur during standard workflow, and these require important judgment 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 affect income tax and deferred tax assets of the period they are recognized.

c) Transfer Pricing:

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

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XXI. EXPLANATIONS ON BORROWINGS

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the unconsolidated 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 31 December 2019 and 31 December 2018.

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 31 December 2019, and 31 December 2018, 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 31 December 2019, and 31 December 2018, 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 1 January 2018, as issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated 19 January 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 1 January 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 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 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 Group 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.

Each financial asset 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 The Group is stated below.

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XXVI. EXPLANATIONS ON TFRS 9 FINANCIAL INSTRUMENTS (Continued)

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

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

Financial Assets ^(*)	Book Value Before TFRS 9 31 December 2018		Book Value After TFRS 9 1 January 2019
		Remeasurement	
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

(*) Subsidiaries that are subject to consolidation do not have any effect on opening records during the transition to TFRS 9.

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 1 January 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 1 January 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.

XXVII. PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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

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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 31 December 2019
Net Earnings/(Loss) for the Period	478.872
Number of Shares	65.229.000.000
Earnings/(Loss) per Share ^(*)	0,007341

^(*) Amounts are expressed in full TL.

	Prior Period 31 December 2018
Net Earnings/(Loss) for the Period	346.648
Number of Shares	65.229.000.000
Earnings/(Loss) per Share ^(*)	0,005314

^(*) 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

As permitted by the transitional provisions of TFRS 9, the Group elected not to restate comparative figures. As per the article named "Financial Reporting" of BRSA No. 24049440-045.01[3/8]-E.5380 dated 17 April 2018, prior periods' information are presented in old format and TFRS 9 have not been implemented.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS' EQUITY

Equity and Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", and "Communiqué on Equities of Banks". As of 31 December 2019, equity of the Group and the Parent Bank is amounting to TL 4.824.465 and TL 4.762.444 respectively, and capital adequacy ratio of the Group and the Parent Bank is 20,60% and 20,42% respectively. As of 31 December 2018, has been in accordance with former regulations, thus equity of the Group and the Parent Bank is amounting to TL 4.462.042 and TL 4.414.676 respectively and the capital adequacy ratio was 20,13% and 20,00% respectively. Capital adequacy ratio of the Parent Bank is higher than the minimum rate required by the related regulations.

a) Information about shareholders' equity items:

	Current Period 31 December 2019	Amount as per the regulation before 01.01.2014 ⁽⁷⁾
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	-	
Common Equity Tier I Capital Before Deductions	-	
Deductions From Common Equity Tier I Capital	3.166.457	
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	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	(388)	
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	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	

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

	Current Period 31 December 2019	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	-	
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 (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)	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	
Total Tier I and Tier II Capital (Total 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 the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	

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**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY
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	Current Period 31 December 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		
CET1 Capital Ratio (%)	14,28	
Tier I Capital Ratio (%)	14,28	
Capital Adequacy Ratio (%)	20,60	
BUFFERS		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,74	
a) Capital Conservation Buffer Ratio (%)	2,50	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,24	
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 (%)	7,04	
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)	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 amounts to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amounts to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018-1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts to be recognized under transition regulations.

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

	Prior Period 31 December 2018	Amount as per the regulation before 01.01.2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	652.290	
Share issue premiums	-	
Reserves	2.060.279	
Gains recognized in equity as per TAS	-	
Profit	346.648	
Current Period Profit	346.648	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minorities’ Share	-	
Common Equity Tier 1 Capital Before Deductions	3.059.217	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	74.744	
Improvement costs for operating leasing	37.265	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	150.955	150.955
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4.568	
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 valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier I Capital	267.532	
Total Common Equity Tier I Capital	2.791.685	

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

	Prior Period 31 December 2018	Amount as per the regulation before 1.1.2014 (*)
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	-	
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)	2.791.685	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.454.324	
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)	225.850	
Total Deductions from Tier II Capital	1.680.174	
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 (-)	214	
Total Deductions from Tier II Capital	214	
Total Tier II Capital	1.679.960	
Total Equity (Total Tier I and Tier II Capital)	4.471.645	
Total Tier I and Tier II Capital (Total 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	9.603	
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 the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	

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

	Prior Period 31 December 2018	Amount as per the regulation before 1.1.2014 (*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.462.042	
Total Risk Weighted Assets	22.171.503	
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	12,59	
Consolidated Tier I Capital Ratio (%)	12,59	
Consolidated Capital Adequacy Ratio (%)	20,13	
BUFFERS		
Bank-specific total CET1 Capital Ratio (a+b+c)	1,90	
a) Capital Conservation Buffer Ratio (%)	1,88	
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 (%)	6,21	
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 Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty-five per ten thousand)	404.760	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	229.353	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018-1 January 2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

(*) Amounts to be recognized under transition regulations.

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

b) Items Included in Consolidated Capital Calculation:

Information about instruments that will be included in total capital calculation:	
Details of 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)	1.249
Nominal value of instrument	1.249
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"

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

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

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity	3.343.429	3.242.286	3.141.143	3.040.000	2.938.857
Transition process not implemented Common Equity	2.938.857	2.938.857	2.938.857	2.938.857	2.938.857
Tier 1 Capital	3.343.429	3.242.286	3.141.143	3.040.000	2.938.857
Transition process not implemented Tier 1 Capital	2.938.857	2.938.857	2.938.857	2.938.857	2.938.857
Total Capital	4.824.465	4.723.322	4.622.179	4.521.036	4.419.893
Transition process not implemented Equity	4.419.893	4.419.893	4.419.893	4.419.893	4.419.893
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	23.416.599	23.416.599	23.416.599	23.416.599	23.416.599
Capital Adequacy Ratio					
Common Equity (%)	14,28	13,85	13,41	12,98	12,55
Transition process not implemented Common Equity Ratio (%)	12,55	12,55	12,55	12,55	12,55
Tier 1 Capital	14,28	13,85	13,41	12,98	12,55
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12,55	12,55	12,55	12,55	12,55
Capital	20,60	20,17	19,74	19,31	18,88
Transition process not implemented Capital Adequacy Ratio (%)	18,88	18,88	18,88	18,88	18,88
LEVERAGE					
Leverage Ratio Total Risk Amount	46.207.835	46.207.835	46.207.835	46.207.835	46.207.835
Leverage (%)	7,17	7,02	6,80	6,58	6,36
Transition process not implemented Leverage Ratio (%)	6,36	6,36	6,36	6,36	6,36

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

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

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

As of January 1, 2019, the Group has started to apply TFRS 9 " Financial Instruments Standard " and as of this date has started to take the expected credit losses for financial assets into the financial statements according to the related standard. Pursuant to Provisional 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 on which the expected credit loss provisions are set aside under TFRS 9 and the total provision amount calculated before the implementation of TFRS 9, after the tax amount arising from the difference has been deducted. It was subjected to a five-year transition period. The effects of this calculation are shown under the heading "Explanations on the temporary article 5 of the Regulation on Banks' Equity".

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II. EXPLANATIONS ON CREDIT RISK

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

In credit risk, there are no specific limitations for a specific geographical region. However, if there will be a risk which is affecting a specific region then the necessary limitation shall be applied, and the necessary action shall be taken in order to reevaluation of the risk. Risk monitoring and sectoral based customer group limitations are conducted. The limitations which are determined for a specific risk group are determined in accordance with Banking Regulation and other relevant regulations. Loan usages are monitored instantly by the system. The credits depending on a risk group are also evaluated in the consolidated financial tables. Loan proposal are considered once in a year, however, for the non-performing loans are considered in every 3 or 6 months.

Determining daily risk limits and allocating risks regarding the transactions conducted, customer’s and bank’s treasury department staff-based monitoring on daily risk concentrations of off-balance risks:

According to HSBC Group standards, in all banking transactions approval and control mechanisms and systematical limit and risk control mechanisms are available. In assigning loan limits, extending credit, derivative and other future delivery derivative transactions are conducted depending to management’s authorization, approval and control processes. Customer’s and bank’s treasury department staff-based monitoring is conducted on determining daily risk limits and risk allocations with risk concentrations regarding the balance sheet and off-balance transactions conducted. Product based risk parameters are considered when allocating limits for the derivative products.

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

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

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

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

The Parent Bank’s management has generated a customer degree (rating) system in order to determine loan value and the rate of risks of the corporate and personal loan customers which are subject to corporate.

Corporate and Commercial Loan Portfolio Rating System:

Customer Risk Rating System (CRR Rating) shows the probabilities of the non-performing loans of the loan borrowers. CRR rating is a summarized risk indicator which indicates the loan borrower’s financial situation, industry and past operations, management’s skills and other information including the cash flow, profitability and debt situation.

Regardless of guarantees and limits of the companies, CRR rating evaluates the risks objectively and independently and indicates the customer risk profiles in all aspects. The responsibility of the compliance of the CRR rate given belongs to the staff who approved the last control. The reviews over the CRR rates given are conducted at least once in a year and at each credit application reviews. Also, in necessary cases the units which approve loans can reassess the CRR rates and indicate necessary changes.

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

23 basic customer risk rating ranges are as follows:

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

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

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

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

CRR 5.1 - 5.3 - Moderate Risk - Firm’s financial situation (equity capital, income, cash generating capacity and management functions) is at an average level. Current situation is not ominous. However, firm’s sensitivity to external events is needed to be observed more frequently and enhancing the firm’s risk of inability to meet the obligations.

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

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

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

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

- Debtor, is late more than 90 days to meet its obligations to the Parent Bank.
- Achieving no results from debt restructuring approaches.
- Restructured debt lapsed into default again.
- Legal proceedings have begun.
- In some cases that risk is evaluated to be in restructuring, provisions may not be booked for related risks even the risks are in the scope of CRR 9.0 classification.

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

Risk Classifications (*)	Current Period Risk Amount	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or central banks	4.306.208	4.301.708
Conditional and unconditional receivables from regional governments or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	41	38
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.793.173	2.396.790
Conditional and unconditional corporate receivables	14.993.921	15.219.320
Conditional and unconditional retail receivables	2.945.312	3.250.537
Conditional and unconditional receivables secured by mortgages	1.621.929	1.181.573
Past due receivables	230.388	257.768
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-
Investments of natured collective investment enterprise	-	-
Stock Investments	-	-
Other receivables	895.362	917.649
Total	26.786.334	27.525.383

(*) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction

(**) The average risk amount is determined by taking the arithmetic mean of values in the month-end reports.

Risk Classifications (*)	Prior Period Risk Amount	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or central banks	6.161.627	6.076.603
Conditional and unconditional receivables from regional governments or local governments	-	5
Conditional and unconditional receivables from administrative units and non-commercial enterprises	249	3.102
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.819.072	4.028.636
Conditional and unconditional corporate receivables	13.356.174	13.843.437
Conditional and unconditional retail receivables	3.520.724	3.846.962
Conditional and unconditional receivables secured by mortgages	1.266.774	1.040.327
Past due receivables	191.554	209.281
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-
Investments of natured collective investment enterprise	-	-
Stock Investments	-	1.756
Other receivables	796.476	638.411
Total	27.112.650	29.688.520

(*) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction

(**) The average risk amount is determined by taking the arithmetic mean of values in the month-end reports.

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

- b. Control limits on position of the Parent Bank’s forward transactions and option agreements and other similar instruments, manageability of credit risk for these kinds of instruments and the potential risks arising from the market movements;**

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

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

During the management of the balance sheet, interest and liquidity risks, the Parent’s Bank constantly uses derivatives and its resources in the international financial markets within the limits allocated in order to reduce and control risks. When necessary portfolio-based loan risks could be reduced with loan derivatives and suchlike instruments.

- d. Risk Weight Subject to Non-Cash Loans Turned into Cash Loans:**

As of 31 December 2019, the Parent Bank has TL 3.360 (31 December 2018: TL 40) of non-cash loans turned into cash loans.

Non-cash loans turned into cash loans are subject to the same risk weight with the overdue loans.

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

	Current Period 31 December 2019	
	TL	FC
Letters of Guarantee	-	-
Prefinancing Loans	-	-
Commercial Letter of Credit Commitments	3.360	-
Factoring Guarantees	-	-
Bad Check Payments	-	-
Other Liabilities	-	-
Total	3.360	-
	Prior Period 31 December 2018	
	TL	FC
Letters of Guarantee	-	-
Prefinancing Loans	-	-
Commercial Letter of Credit Commitments	-	-
Factoring Guarantees	-	-
Bad Check Payments	40	-
Other Liabilities	-	-
Total	40	-

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

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

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

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

Evaluation of the Bank’s competitive credit risk as being an active participant in the international banking transactions market;

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

- f. The proportion of the Group’s top 100 and 200 cash loan balances in total cash loans: 78% and 83% (31 December 2018: 69% and 75%).**

The proportion of the Group’s top 100 and 200 non-cash loan balances in total non-cash loans: 96% and 100% (31 December 2018: 95% and 100%).

The proportion of the Group’s cash and non-cash loan balances with the first 100 and 200 customers comprises of total cash loans and non-cash loans: 73% and 84% (31 December 2018: 66% and 77%).

- g. General loan loss provision booked by the Group: TL 945.032 (31 December 2018: TL 404.760).**

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

h. Profile on Significant Risks in Significant Regions, Risk Profile According to Sectors and Counterparties and Term Distribution of Risks with Term Structure:

Current Period 31 December 2019	Risk Categories (***)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	4.306.208	-	41	-	-	906.100	14.893.552	2.912.209	1.617.445	230.077	-	-	-	-	-	-	895.362	25.760.994
European Union Countries	-	-	-	-	-	622.043	86.271	12.623	772	287	-	-	-	-	-	-	-	721.996
OECD Countries (*)	-	-	-	-	-	85.561	-	1.031	-	-	-	-	-	-	-	-	-	86.592
Off – Shore Banking Regions	-	-	-	-	-	51.268	-	374	-	-	-	-	-	-	-	-	-	51.642
USA, Canada	-	-	-	-	-	14.808	11.968	2.045	-	14	-	-	-	-	-	-	-	28.835
Other Countries	-	-	-	-	-	113.393	2.130	17.030	3.712	10	-	-	-	-	-	-	-	136.275
Associates, Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	4.306.208	-	41	-	-	1.793.173	14.993.921	2.945.312	1.621.929	230.388	-	-	-	-	-	-	895.362	26.786.334

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

(**) Assets and liabilities that are not distributed according to a consistent principle.

(***) Risk categories that are defined in “Communiqué on Measurement and Assessment of Capital Adequacy of Banks”.

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

i. Profile on Significant Risks in Significant Regions, Risk Profile According to Sectors and Counterparties and Term Distribution of Risks with Term Structure:

Prior Period 31 December 2018	Risk Categories ^(***)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TOTAL
Domestic	6.161.627	-	249	-	-	556.102	13.216.300	3.480.334	1.262.297	190.203	-	-	-	-	-	-	796.476	25.663.588
European Union Countries	-	-	-	-	-	1.027.107	139.185	13.744	1.643	1.263	-	-	-	-	-	-	-	1.182.942
OECD Countries ^(*)	-	-	-	-	-	80.888	-	1.290	65	-	-	-	-	-	-	-	-	82.243
Off – Shore Banking Regions	-	-	-	-	-	13.282	-	172	-	-	-	-	-	-	-	-	-	13.454
USA, Canada	-	-	-	-	-	45.955	20	2.048	42	18	-	-	-	-	-	-	-	48.083
Other Countries	-	-	-	-	-	95.738	669	23.136	2.727	70	-	-	-	-	-	-	-	122.340
Associates Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities ^(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	6.161.627	-	249	-	-	1.819.072	13.356.174	3.520.724	1.266.774	191.554	-	-	-	-	-	-	796.476	27.112.650

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

^(**) Assets and liabilities that are not distributed according to a consistent principle.

^(***) Risk categories that are defined in “Communiqué on Measurement and Assessment of Capital Adequacy of Banks”.

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

i. Risk Profile According to Sectors and Counterparties:

Current Period 31 December 2019 Sectors/Counterparties	Risk Categories (*)																	TL	FC	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
Agricultural	-	-	-	-	-	-	43.116	-	-	31	-	-	-	-	-	-	-	10.285	32.862	43.147	
Farming and Raising Livestock	-	-	-	-	-	-	10.229	-	-	-	-	-	-	-	-	-	-	10.229	-	10.229	
Forestry	-	-	-	-	-	-	16	-	-	22	-	-	-	-	-	-	-	38	-	38	
Fishing	-	-	-	-	-	-	32.871	-	-	9	-	-	-	-	-	-	-	18	32.862	32.880	
Industry	-	-	33	-	-	-	8.370.444	76.191	88.044	136.919	-	-	-	-	-	-	-	4.226.054	4.445.577	8.671.631	
Mining and Quarrying	-	-	-	-	-	-	23.981	-	-	2.953	-	-	-	-	-	-	-	3.004	23.930	26.934	
Production	-	-	33	-	-	-	7.287.338	76.191	88.044	133.911	-	-	-	-	-	-	-	4.103.729	3.481.788	7.585.517	
Electricity, Gas, Water	-	-	-	-	-	-	1.059.125	-	-	55	-	-	-	-	-	-	-	119.321	939.859	1.059.180	
Construction	-	-	-	-	-	-	1.145.297	-	1.206.084	4.133	-	-	-	-	-	-	-	133.842	2.221.672	2.355.514	
Services	4.306.208	-	3	-	-	1.793.173	3.154.853	-	87.814	54.386	-	-	-	-	-	-	-	4.330.230	5.066.207	9.396.437	
Wholesale and Retail Trade	-	-	-	-	-	-	1.546.448	-	67.180	52.121	-	-	-	-	-	-	-	925.527	740.222	1.665.749	
Hotel and Beverage Service	-	-	-	-	-	-	231.560	-	17.940	1.695	-	-	-	-	-	-	-	24.720	226.475	251.195	
Transportation and Telecommunication	-	-	-	-	-	-	1.175.207	-	149	551	-	-	-	-	-	-	-	135.754	1.040.153	1.175.907	
Financial Institutions	4.306.208	-	-	-	-	1.793.173	70.826	-	-	-	-	-	-	-	-	-	-	3.125.724	3.044.483	6.170.207	
Real Estate and Lending Service	-	-	-	-	-	-	4.888	-	-	9	-	-	-	-	-	-	-	4.897	-	4.897	
Self-Employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education Service	-	-	3	-	-	-	48	-	-	-	-	-	-	-	-	-	-	51	-	51	
Health and Social Services	-	-	-	-	-	-	125.876	-	2.545	10	-	-	-	-	-	-	-	113.557	14.874	128.431	
Other	-	-	5	-	-	-	2.280.211	2.869.121	239.987	34.919	-	-	-	-	-	-	-	895.362	4.751.582	1.568.023	
TOTAL	4.306.208	-	41	-	-	1.793.173	14.993.921	2.945.312	1.621.929	230.388	-	-	-	-	-	-	-	895.362	13.451.993	13.334.341	26.786.334

(*) Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks".

- 1 Conditional and unconditional receivables from central governments or central banks
- 2 Conditional and unconditional receivables from regional governments or local governments
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- 9 Conditional and unconditional receivables secured by mortgages
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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

i. Risk Profile According to Sectors and Counterparties:

Prior Period 31 December 2018 Sectors/Counterparties	Risk Categories (*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agricultural	-	-	-	-	-	-	50.955	8	-	20	-	-	-	-	-	-	-	2.509	48.474	50.983
Farming and Raising Livestock	-	-	-	-	-	-	2.467	1	-	6	-	-	-	-	-	-	-	2.474	-	2.474
Forestry	-	-	-	-	-	-	12	2	-	10	-	-	-	-	-	-	-	24	-	24
Fishing	-	-	-	-	-	-	48.476	5	-	4	-	-	-	-	-	-	-	11	48.474	48.485
Industry	4	-	33	-	-	-	7.068.998	82.748	227.596	106.514	-	-	-	-	-	-	1.721	4.002.887	3.484.727	7.487.614
Mining and Quarrying	-	-	-	-	-	-	31.220	7	-	2.129	-	-	-	-	-	-	-	2.185	31.171	33.356
Production	4	-	33	-	-	-	6.395.478	82.741	227.596	104.352	-	-	-	-	-	-	1.721	3.828.761	2.983.164	6.811.925
Electricity, Gas, Water	-	-	-	-	-	-	642.300	-	-	33	-	-	-	-	-	-	-	171.941	470.392	642.333
Construction	-	-	-	-	-	-	1.496.161	28	432.154	4.615	-	-	-	-	-	-	-	137.869	1.795.089	1.932.958
Services	6.161.623	-	-	-	-	1.819.072	3.458.936	200	163.328	29.438	-	-	-	-	-	-	97	6.292.459	5.340.235	11.632.694
Wholesale and Retail Trade	-	-	-	-	-	-	1.902.262	135	96.755	24.857	-	-	-	-	-	-	50	1.379.491	644.568	2.024.059
Hotel and Beverage Service	-	-	-	-	-	-	276.217	16	17.818	1.805	-	-	-	-	-	-	-	268.246	27.610	295.856
Transportation and Telecommunication	-	-	-	-	-	-	1.144.202	11	45.250	176	-	-	-	-	-	-	47	424.041	765.645	1.189.686
Financial Institutions	6.161.623	-	-	-	-	1.819.072	8.220	6	-	-	-	-	-	-	-	-	-	4160.638	3.828.283	7.988.921
Real Estate and Lending Service	-	-	-	-	-	-	14.955	5	-	17	-	-	-	-	-	-	-	14.977	-	14.977
Self-Employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Service	-	-	-	-	-	-	49	-	-	468	-	-	-	-	-	-	-	517	-	517
Health and Social Services	-	-	-	-	-	-	113.031	27	3.505	2.115	-	-	-	-	-	-	-	44.549	74.129	118.678
Other	-	-	216	-	-	-	1.281.124	3.437.740	443.696	50.967	-	-	-	-	-	-	794.658	4.590.424	1.417.977	6.008.401
TOTAL	6.161.627	-	249	-	-	1.819.072	13.356.174	3.520.724	1.266.774	191.554	-	-	-	-	-	-	796.476	15.026.148	12.086.502	27.112.650

(*) Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks".

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

j. Term Distribution of Risks with Term Structure:

Current Period – 31 December 2019	Time to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over
Conditional and unconditional receivables from central governments or central banks	2.035.380	-	14.879	498.825	733.235
Conditional and unconditional receivables from regional governments or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	39	-	-	-	2
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	944.684	52.795	277.471	113.809	393.440
Conditional and unconditional corporate receivables	4.239.893	1.355.417	2.137.754	2.109.315	5.151.542
Conditional and unconditional retail receivables	2.046.177	170.967	21.322	86.530	620.316
Conditional and unconditional receivables secured by mortgages	97.932	1.579	3.837	10.731	1.507.850
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	12.793	-	-	-	-
TOTAL	9.376.898	1.580.758	2.455.263	2.819.210	8.406.385

(*) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction

Prior Period – 31 December 2018	Time to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over
Conditional and unconditional receivables from central governments or central banks	3.363.479	-	13.960	-	512.383
Conditional and unconditional receivables from regional governments or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	249	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	526.190	175.789	638.477	175.790	280.941
Conditional and unconditional corporate receivables	3.993.535	1.728.452	1.302.724	1.921.802	4.409.661
Conditional and unconditional retail receivables	2.351.732	215.500	30.779	122.746	799.967
Conditional and unconditional receivables secured by mortgages	35.914	1.702	15.732	206.486	1.006.940
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	-	-	-	-	-
TOTAL	10.271.099	2.121.443	2.001.672	2.426.824	7.009.892

(*) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

k. Explanations Regarding Risk Categories Mentioned in the 6th Clause of the Capital Adequacy Measurement and Evaluation Communiqué:

An international rating firm, Moody’s Ratings’ external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Additionally, rating of international rating agency Moody’s Ratings were used for receivables from central government and central bank of our country and counter parties at abroad. Counter parties’ resident is accepted as “unrated” and take risk weight suited for unrated category in relevant risk class.

Rating Scores;

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

are used in risk classes.

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

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

Credit Quality Degrees	Moody's Risk Rating	Risk Categories		
		Exposures to Central Governments or Central Banks	Exposures to Central Governments or Central Banks	
			Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months
1	Aja Aa1 Aa2 Aa3	%0	%20	%20
2	A1 A2 A3	%20	%20	%50
3	Baa1 Baa2 Baa3	%50	%20	%50
4	Ba1 Ba2 Ba3	%100	%50	%100
5	B1 B2 B3	%100	%50	%100
6	Caa1 Caa2 Caa3 Ca C	%150	%150	%150

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

i. Risk Amounts According to Risk Weights:

	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted From Equity
31 December 2019												
1.Amount Before Credit Risk												
Mitigation	4.858.789	-	1.164.689	-	386.105	3.046.281	17.273.907	56.563	-	-	-	215.953
2.Amount After Credit Risk												
Mitigation	4.858.789	-	1.164.689	204.051	1.713.188	2.697.877	16.305.124	56.547	-	-	-	215.953
31 December 2018												
1.Amount Before Credit Risk												
Mitigation	6.296.499	-	1.058.098	-	629.565	3.735.237	15.390.652	2.599	-	-	-	202.391
2.Amount After Credit Risk												
Mitigation	6.296.499	-	1.058.098	293.607	1.399.390	3.307.819	14.849.472	2.552	-	-	-	202.391

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

Miscellaneous Information regarding Major Sectors or Counterparty Type:

Current Period	Loans		
	Significant Increase in Credit (Stage 2) (*)	Defaulted (Stage 3)	Provision of Expected Credit Losses (IFRS 9)
Major Sectors/ Counterparties			
Agricultural	32.862	175	148
Farming and Raising livestock	-	58	38
Forestry	-	-	-
Fishing	32.862	117	110
Industry	2.145.527	262.980	154.943
Mining and Quarrying	23.745	4.082	1.135
Production	1.385.951	258.841	153.807
Electricity, Gas, Water	735.831	57	1
Construction	670.428	95.535	74.023
Services	1.698.143	88.161	34.186
Wholesale and Retail Trade	41.016	79.267	27.372
Hotel and Beverage Services	233.729	1.809	136
Transportation and Telecommunication	252.855	1.523	1.179
Financial Institutions	-	-	-
Real Estate and Lending Services	1.166.400	1.081	1.031
Self-Employment Services	1	73	55
Education Services	-	804	804
Health and Social Services	4.142	3.604	3.609
Other	432.910	260.628	223.695
Total	4.979.870	707.479	486.995

(*) Close monitoring amounts

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

Prior Period Major Sectors / Counterparties	Loans			
	Impaired Credits	Past due Credits (*)	Value Adjustments (**)	Provisions (***)
Agricultural	183	48.474	1.454	164
Farming and Raising livestock	66	-	-	47
Forestry	-	-	-	-
Fishing	117	48.474	1.454	117
Industry	229.910	611.130	17.986	153.528
Mining and Quarrying	4.050	21.096	633	1.920
Production	225.803	590.034	17.353	151.585
Electricity, Gas, Water	57	-	-	23
Construction	202.553	30.520	909	167.908
Services	56.895	1.502.663	43.682	355.753
Wholesale and Retail Trade	46.295	75.077	2.234	21.498
Hotel and Beverage Services	3.145	240.522	6.971	1.346
Transportation and Telecommunication	1.795	225.751	6.718	1.679
Financial Institutions	1	-	-	1
Real Estate and Lending Services	1.144	956.780	27.625	329.314
Self-Employment Services	91	13	-	71
Education Services	803	-	-	338
Health and Social Services	3.621	4.520	134	1.506
Other	392.373	183.691	4.431	13.422
Total	881.914	2.376.478	68.462	690.775

(*) Close monitoring amounts.

(**) General provisions that are provided for non-performing loans.

(***) Specific provisions that are provided for decreased-in-value loans.

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

Current Period 31 December 2019	Opening Balance	TFRS 9 Transition Balance	Provisions provided during the period		Other Adjustments (*)	Closing Balance
			Provision	Provision Reversals		
Specific Provisions	690.775	(46.389)	124.653	-	(282.044)	486.995
General Provisions (**)	404.760	540.368	221.474	(221.570)	-	945.032

(*) Represents other adjustments that are written off from assets and the sales from non-performing loans portfolio.

(**) Includes general provision for non-cash loans

Prior Period 31 December 2018	Opening Balance	Provisions provided during the period	Provision Reversals	Other Adjustments (*)	Closing Balance
General Provisions	430.929	-	(26.169)	-	404.760

(*) Represents other adjustments that are written off from assets and the sales from non-performing loans portfolio.

o. The Movement of Specific Provision:

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2019	209.657	149.349	331.769	690.775
Transferred during the period	(51.843)	16.285	(10.831)	(46.389)
TFRS 9 Transition Balance	59.934	39.407	103.347	202.688
Collection during the period	(33.032)	(12.582)	(32.421)	(78.035)
Write-off/sold	(2.614)	(91.988)	(187.442)	(282.044)
31 December 2019	182.102	100.471	204.422	486.995

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2018	155.241	161.676	270.510	587.427
Transferred during the period	63.557	42.073	122.314	227.944
Collection during the period	(9.141)	(52.889)	(58.718)	(120.748)
Write-off/sold	-	(1.511)	(2.337)	(3.848)
31 December 2018	209.657	149.349	331.769	690.775

r. Information on Types of Loans and Provisions:

	Commercial Loans	Consumer Loans	Credit Cards	Total
Current Period –				
31 December 2019				
Standard loans	9.514.192	979.679	1.519.870	12.013.741
Close monitoring loans	4.500.874	139.134	339.862	4.979.870
Non-performing loans	348.999	124.618	233.862	707.479
Specific provisions (-)	182.102	100.471	204.422	486.995
Total	14.181.963	1.142.960	1.889.172	17.214.095

(*) Includes the factoring receivables amounting to TL 126.556.

	Commercial Loans	Consumer Loans	Credit Cards	Total
Prior Period –				
31 December 2018				
Standard loans	9.653.535	1.399.382	2.078.038	13.130.955
Close monitoring loans	2.167.372	84.669	124.437	2.376.478
Non-performing loans	293.723	209.033	379.158	881.914
Specific provisions (-)	209.657	149.349	331.769	690.775
Total	11.904.973	1.543.735	2.249.864	15.698.572

(*) Includes the factoring receivables amounting to TL 192.282.

s. Information on Collaterals for Non-Performing Loans of the Group:

	Current Period 31 December 2019 Collateral Value
Mortgages	252.610
Pledged Vehicle	2.331
Cheques and Notes	-
Cash	-
Total	254.941

	Prior Period 31 December 2018 Collateral Value
Mortgages	209.580
Pledged Vehicle	227
Cheques and Notes	-
Cash	-
Total	209.807

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III. EXPLANATIONS ON COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATIONS

Current Period 31 December 2019	Private sector credit exposures in banking book	Risk weighted equivalent trading book	Total
Turkey	18.718.039	937.078	19.655.117
Great Britain	221.528	228.328	449.856
Germany	134.330	58	134.388
Spain	54.112	-	54.112
Romania	45	-	45
Canada	12.273	-	12.273
Republic of China	25.821	-	25.821
France	13.936	17.543	31.479
Japan	11.979	-	11.979
Sweden	8.809	-	8.809
Other	2.035.109	1.156	2.036.265

Prior Period 31 December 2018	Private sector credit exposures in banking book	Risk weighted equivalent trading book	Total
Turkey	16.568.846	1.458.440	18.027.286
Great Britain	234.217	-	234.217
Germany	164.580	-	164.580
Spain	67.914	-	67.914
Romania	61.446	-	61.446
Canada	41.708	-	41.708
Republic of China	30.078	-	30.078
France	23.224	-	23.224
Japan	21.715	-	21.715
Sweden	18.128	-	18.128
Other	78.966	-	78.966

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 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’s 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. Foreign exchange bid rate of important foreign currencies are indicated in the table below

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IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

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 reporting date and for the last five days prior to that date are presented below:

Current Period – 31 December 2019	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	5,9497	6,6779
Prior Balance Sheet Date		
30 December 2019	5,9411	6.6546
27 December 2019	5,9576	6.6579
26 December 2019	5,9487	6.5944
25 December 2019	5,9487	6.5944
24 December 2019	5,9487	6.5944
Prior Period – 31 December 2018	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	5,2885	6,0566
Prior Balance Sheet Date		
28 December 2018	5,2736	6,0359
27 December 2018	5,2928	6,0465
26 December 2018	5,3030	6,0438
25 December 2018	5,3030	6,0438
24 December 2018	5,3030	6,0438

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 December 2019, the Parent Bank’s simple arithmetic average foreign exchange rate for USD is TL 5,8610 (December 2018: TL 5,3104) and exchange rate for Euro is TL 6,5110 (December 2018: TL 6,0426).

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IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

f) Information Related to Group’s Currency Risk:

Current Period – 31 December 2019	Euro	USD	Other FC	Total
Assets	934.327	1.035.411	583.381	2.553.119
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	4.929	1.057	4.988	10.974
Banks	387.723	786.636	25.662	1.200.021
Financial Assets at Fair Value through Profit or Loss (Net) (***)	-	6.672.402	-	6.672.402
Interbank Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	4.881.872	3.448.592	140	8.330.604
Loans (*)	-	-	-	-
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)	329.808	161.360	58	491.226
Total Assets	6.538.659	12.105.458	614.229	19.258.346
Liabilities				
Bank Deposits	6	16	-	22
Foreign Currency Deposits	6.674.171	10.294.966	3.611.455	20.580.592
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	-	1.368.001	-	1.368.001
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	2.100	59.516	1.206	62.822
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	357.417	733.844	7.660	1.098.921
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
Prior Period - 31 December 2018				
Total Assets	5.890.666	12.946.642	467.127	19.304.435
Total Liabilities	6.096.885	12.646.385	1.324.428	20.067.698
Net on-Balance Sheet Position	(206.219)	300.257	(857.301)	(763.263)
Net off-Balance Sheet Position	316.303	(229.759)	828.988	915.532
Financial Derivative Assets	8.156.299	11.522.133	1.231.193	20.909.625
Financial Derivative Liabilities	7.839.996	11.751.892	402.205	19.994.093
Non-cash Loans	1.316.616	1.102.091	227.014	2.645.721

(*) As of 31 December 2019, total loans amount consists foreign indexed loans amounting to TL 19.743 (31 December 2018: TL 167.693).

(**) Other Liabilities include Derivative Financial Liabilities amounting to TL 975.820 (31 December 2018: TL 915.173).

(***) Financial Assets in Fair Value Differences Reflected to Profit/Loss includes Derivative Financial Assets amounting to TL 1.110.614 (31 December 2018: TL 970.944).

(****) Includes Stage 1 and 2 long positions held in the balance sheet for FC expected loss provisions in accordance with TFRS 9.

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IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

As of 31 December 2019, and 31 December 2018, if Bank's foreign currency position had depreciated by 10% against TL with all other variables held constant, the changes in profit before tax and equity mainly as a result of foreign exchange losses are disclosed as following:

	Current Period 31 December 2019	
	Income Statement	Equity (*)
USD	62.563	62.563
Euro	607	607
Other	3.604	3.604
Total	66.774	66.774

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

	Prior Period 31 December 2018	
	Income Statement	Equity (*)
USD	7.050	7.050
Euro	11.008	11.008
Other	(2.831)	(2.831)
Total	15.227	15.227

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

As of 31 December 2019, and 31 December 2018, as a result of 10% appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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V. EXPLANATIONS ON INTEREST 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 – 31 December 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

(*) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with T.R. Central Bank, Banks and Receivables from Money Markets includes amount of TL 446 expected loss provision.

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

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

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V. EXPLANATIONS ON INTEREST RISK (Continued)

Prior Period – 31 December 2018	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	3.534.216	-	-	-	-	2.531.239	6.065.455
Banks	14.593	-	-	-	-	40.370	54.963
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	200.407	215.768	473.262	131.635	7.068	20.223	1.048.363
Interbank Money Market Placements	8.415.487	-	-	-	-	-	8.415.487
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	456.176	54.953	-	511.129
Loans	6.028.930	1.622.793	2.493.079	4.585.695	776.936	191.139	15.698.572
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.986	-	72	163.489	-	889.222	1.054.769
Total Assets	18.195.619	1.838.561	2.966.413	5.336.995	838.957	3.672.193	32.848.738
Liabilities							
Bank Deposits	1.744.608	-	-	-	-	132.885	1.877.493
Other Deposits	15.717.329	3.182.694	663.602	8.126	-	3.409.245	22.980.996
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	181.226	-	-	-	-	117.839	299.065
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	1.545.585	607.097	592.944	-	-	37.960	2.783.586
Other Liabilities (*) (**)	141.786	212.530	621.265	448.329	-	3.483.688	4.907.598
Total Liabilities	19.330.534	4.002.321	1.877.811	456.455	-	7.181.617	32.848.738
Balance Sheet Long Position	-	-	1.088.602	4.880.540	838.957	-	6.808.099
Balance Sheet Short Position	(1.134.915)	(2.163.760)	-	-	-	(3.509.424)	(6.808.099)
Off-Balance Sheet Long Position	50.697	-	66.833	-	-	-	117.530
Off-Balance Sheet Short Position	-	(20.870)	-	(13.430)	-	-	(34.300)
Total Position	(1.084.218)	(2.184.630)	1.155.435	4.867.110	838.957	(3.509.424)	83.230

(*) 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".

b) Effective Average Interest Rates for Monetary Financial Instruments:

Current Period – 31 December 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	-	-	-	-
Sundry Creditors	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	-	7,51	-	-

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V. EXPLANATIONS ON INTEREST RISK (Continued)

Prior Period – 31 December 2018	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	-	2,00	-	21,37
Banks	-	-	-	22,90
Financial Assets at Fair Value Through Profit or Loss (Net)	6,84	6,10	-	11,91
Interbank Money Market Placements	-	2,47	-	25,49
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	11,01
Loans	4,30	5,65	-	21,72
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	2,50	-	19,60
Other Deposits	2,04	3,65	-	22,18
Funds From Interbank Money Market	-	-	-	-
Sundry Creditors	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	-	6,72	-	21,29

c. Interest Rate Risk on Banking Book:

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

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

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

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

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

31 December 2019	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Losses / Equity - Equity
Type of Currency			
1. TL	500	(210.647)	(4,37) %
2. TL	(400)	198.439	4,11 %
3. EURO	200	(176.633)	(3,66) %
4. EURO	(200)	(18.624)	(0,39) %
5. USD	200	14.444	0,30 %
6. USD	(200)	(17.779)	(0,37) %
Total (of negative shocks)		162.036	3,36 %
Total (of positive shocks)		(372.836)	(7,73) %

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V. EXPLANATIONS ON INTEREST RISK (Continued)

31 December 2018	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(140.828)	(3,15) %
2. TL	(400)	134.464	3,01 %
3. EURO	200	(118.102)	(2,64) %
4. EURO	(200)	13.876	0,31 %
5. USD	200	228.618	5,12 %
6. USD	(200)	(265.950)	(5,96) %
Total (of negative shocks)		(117.610)	(2,63) %
Total (of positive shocks)		(30.312)	(0,65) %

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

a. Position Risk of Equity Securities in Banking Book:

The Bank’s equity securities which are not publicly traded are booked as their cost value, if calculation of fair value cannot be determined properly.

Bank does not have any share publicly traded in Borsa İstanbul.

VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

In addition, current and planned liquidity positions of bank is tracked at tactical ALCO meetings with the participation of business representatives at least on weekly basis and business line representatives are informed in order to be taken of necessary actions. The aim of these meetings is to ensure that the negative net cash flow of the bank liquidity will not occur and be managed in a way that will not lead to excess 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 Parent Banks’ controlling shareholder 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 are consisted 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 consisted of deposits, repurchase agreements and Shareholders’ Equity. Liabilities in FC are consisted of deposits in FC and other debt instruments in FC.

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

Information on liquidity risk mitigation techniques:

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

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**VII. EXPLANATIONS ON 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. 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.

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 to affect the results of liquidity coverage rate because of being liquid 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.
- Fluctuation of bank and corporate deposits that are highly considered in fund resources.
- Fluctuations that may occur due to the aging of borrowings.
- Less than 1-month remaining maturity of cash inflows/outflows resulted specifically from FC derivative transactions.

Explanation regarding the components of high-quality liquid assets:

High quality liquid assets are consisted of cash, effective depot, cheques purchased, time and demand deposit by CBRT, overnight borrowing provided to banks via CBRT in Interbank Money Market, reverse repurchase transactions and securities that are not subject to repurchase/collateral for providing liquidity.

Components density of fund resources in all funds:

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

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

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

Cash outflows resulted from derivative transactions are taken into account of liquidity coverage rate calculation by considering TL and FC net cash flows with 30-days maturity. Net cash flows resulted from derivative transactions have minimal effect on total liquidity coverage rate, however, differences in derivative volumes because of FC derivatives used in the management of cash flows based on currencies and because of 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 aimed. In the context, customer-based deposit concentrations, limits and usages set up for the counterparties in borrowings and maturity-based distribution of non-deposit borrowings are tracked and reported to ALCO every month periodically.

Current Period– 31.12.2019	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			12.564.013	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
			Value 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 monthly simple arithmetic averages.

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

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

	Current Period – 31.12.2019	
	TP+YP	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

Prior Period – 31.12.2018	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TP+YP	YP	TP+YP	YP
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			10.617.622	9.266.490
Cash Outflows				
Real person and retail deposits	17.009.619	11.374.954	1.618.048	1.137.495
Stable deposits	1.658.278	-	82.914	-
Less stable deposits	15.351.341	11.374.954	1.535.134	1.137.495
Unsecured debts other than real person and retail deposits	8.151.456	5.239.933	3.661.282	2.171.528
Operational deposits	-	-	-	-
Non-operational deposits	7.852.453	5.207.865	3.362.280	2.139.461
Other unsecured debts	299.003	32.068	299.002	32.067
Secured debts	-	-	-	-
Other cash outflows	1.735.406	2.965.608	1.735.406	2.965.608
Derivative liabilities and collateral completion liabilities	1.735.406	2.965.608	1.735.406	2.965.608
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	8.541.948	2.828.218	890.504	466.375
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			7.905.240	6.741.006
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	6.293.192	2.387.926	4.394.905	2.059.840
Other cash inflows	78.282	1.827.692	78.282	1.827.692
TOTAL CASH INFLOWS	6.371.474	4.215.618	4.473.187	3.887.532
			Values to which the upper limit is applied	
TOTAL HIGH-QUALITY LIQUID ASSETS INVENTORY			10.617.622	9.266.490
TOTAL NET CASH OUTFLOWS			3.432.053	2.853.474
LIQUIDITY COVERAGE RATIO (%)			309,37	324,74

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

Table below represents lowest, highest and average liquidity coverage rates for the last three months of 2018.

	Prior Period - 31.12.2018	
	TL+FC	FC
Highest (%)	529,57	537,49
Date	28.12.2018	28.12.2018
Lowest (%)	253,22	227,95
Date	04.10.2018	04.10.2018
Average (%)	309,37	324,74

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

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

Current Period – 31 December 2019	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	875.283	2.236.004	-	-	-	-	-	3.111.287
Banks	11.347	14	-	-	-	-	-	11.361
Financial Assets at Fair Value through Profit or Loss (Net) (***)	-	131.311	128.700	261.901	822.970	717.759	32.788	2.095.429
Interbank Money Market Placements	-	10.994.329	-	-	-	-	-	10.994.329
Financial Assets Fair Value Through Comprehensive Income	-	-	-	498.825	482.253	249.620	-	1.230.698
Loans	-	5.884.931	1.280.483	3.229.247	5.077.209	603.010	220.484	16.295.364
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets (*)	-	1.052	-	51	244.797	-	974.501	1.220.401
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
Liabilities								
Bank Deposits	127.864	107.446	-	-	-	-	-	235.310
Other Deposits	5.446.050	18.415.927	3.242.756	394.864	5.358	-	-	27.504.955
Funds from Interbank Money Market	30.720	-	-	-	-	1.337.281	-	1.368.001
Miscellaneous Payables	-	-	-	-	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Funds Borrowed	-	-	5.244	-	-	-	444.638	449.882
Other Liabilities (**)(***)	-	44.881	113.779	332.081	853.069	850.518	3.206.393	5.400.721
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
Prior Period - 31 December 2018								
Total Assets	2.553.782	17.587.563	2.049.423	3.092.068	5.512.071	935.419	1.118.412	32.848.738
Total Liabilities	3.580.090	17.749.969	3.964.653	1.839.840	556.347	1.565.443	3.592.396	32.848.738
Net Liquidity Excess / (Gap)	(1.026.308)	(162.406)	(1.915.230)	1.252.228	4.955.724	(630.024)	(2.473.984)	-
Net Off Balance Sheet Position	-	50.696	(20.869)	66.832	(13.429)	-	-	83.230
Derivative Financial Assets	-	13.554.469	3.991.419	8.862.705	13.942.201	1.664.084	-	42.014.878
Derivative Financial Liabilities	-	13.503.773	4.012.288	8.795.873	13.955.630	1.664.084	-	41.931.648
Non-cash Loans	2.116.746	64.051	258.606	678.814	536.647	3.298	-	3.658.162

(*) 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, prepaid 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 (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with T.R. Central Bank, Banks and Receivables from Money Markets includes amount of TL 446 expected loss provision.

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

c) Breakdown of Liabilities According to Their Remaining Contractual Maturities:

Current Period - 31 December 2019	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Total
Bank Deposits	127.864	109.242	-	-	-	-	237.106
Other Deposits	5.446.050	18.430.213	3.257.860	407.533	5.844	-	27.547.500
Funds From Interbank Money Market	-	-	-	-	-	-	-
Funds Borrowed	30.720	-	-	-	-	1.726.258	1.756.978
Total	5.604.634	18.539.455	3.257.860	407.533	5.844	1.726.258	29.541.584
Prior Period - 31 December 2018	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Total
Bank Deposits	132.885	1.747.930	-	-	-	-	1.880.815
Other Deposits	3.409.245	15.751.957	3.226.383	727.607	9.957	-	23.125.149
Funds From Interbank Money Market	-	-	-	-	-	-	-
Funds Borrowed	37.960	-	622.355	729.027	-	2.140.057	3.529.399
Total	3.580.090	17.499.887	3.848.738	1.456.634	9.957	2.140.057	28.535.363

d) Information on Securitization Positions:

None.

e) Breakdown of Derivative Instruments of Their Remaining Contractual Maturities:

Current Period - 31 December 2019	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over	Total
Foreign exchange derivatives:						
- Inflow	14.557.304	9.334.351	10.354.856	9.045.856	4.984.001	48.276.368
- Outflow	14.468.289	9.326.525	10.346.908	9.032.450	4.984.001	48.158.173
Interest rate derivatives:						
- Inflow	-	-	3.363	68.732	16.825	88.920
- Outflow	-	-	1.033	30.316	11.921	43.270
Total Inflow	14.557.304	9.334.351	10.358.219	9.114.588	5.000.826	48.365.288
Total Outflow	14.468.289	9.326.525	10.347.941	9.062.766	4.995.922	48.201.443
Prior Period - 31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over	Total
Foreign exchange derivatives:						
- Inflow	12.959.134	3.348.171	8.147.025	3.799.751	-	28.254.081
- Outflow	12.905.870	3.348.586	8.080.192	3.813.181	-	28.147.829
Interest rate derivatives:						
- Inflow	-	201	3.181	46.814	29.313	79.509
- Outflow	-	181	3.292	55.827	19.858	79.158
Total Inflow	12.959.134	3.348.372	8.150.206	3.846.565	29.313	28.333.590
Total Outflow	12.905.870	3.348.767	8.083.484	3.869.008	19.858	28.226.987

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VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

Below is the table about leverage rate 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
		31.12.2019 (*)
Assets on the Balance Sheet		
1	Assets on the balance sheet (excluding derivative financial instrument and loan derivatives, including collaterals)	25.121.012
2	(Assets deducted from core capital)	(202.152)
3	Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	24.918.860
Derivative Financial Instruments and Loan Derivatives		
4	Renewal cost of derivative financial instruments and loan derivatives	608.666
5	Potential credit risk amount of derivative financial instruments and loan derivatives	768.370
6	Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	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)	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)	99.561
Off-the-Balance Sheet Transactions		
10	Gross nominal amount of the off-the-balance sheet transactions	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)	19.610.226
Capital and Total Risk		
13	Core capital	3.314.226
14	Total risk amount (sum of lines 3,6,9 and 12)	46.005.683
Transition Process Unapplied Leverage Ratio		
15	Transition process unapplied leverage ratio (%)	7,20

(*) Table represents three-month average amounts.

		Prior Period
		31.12.2018 (*)
Assets on the Balance Sheet		
1	Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	25.547.386
2	(Assets deducted from core capital)	(178.782)
3	Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	25.368.604
Derivative Financial Instruments and Loan Derivatives		
4	Renewal cost of derivative financial instruments and loan derivatives	645.111
5	Potential credit risk amount of derivative financial instruments and loan derivatives	617.504
6	Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.262.615
Financing Transactions with Securities or Goods Warranties		
7	Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	123.170
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)	123.170
Off-the-Balance Sheet Transactions		
10	Gross nominal amount of the off-the-balance sheet transactions	15.826.565
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)	15.826.565
Capital and Total Risk		
13	Core capital	2.769.278
14	Total risk amount (sum of lines 3,6,9 and 12)	42.580.954
Transition Process Unapplied Leverage Ratio		
15	Transition process unapplied leverage ratio (%)	6,50

(*) Table represents three-month average amounts

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VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO (Continued)

	Current Period
	31.12.2019 ^(**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(*)	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”	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	(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	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	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.

	Prior Period
	31.12.2018 ^(**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(*)	31.296.578
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”	(1.771.615)
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	(617.504)
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	7.399.186
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	42.580.954

^(*) 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.

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IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

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

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

The estimated fair value of loans and borrowing with bank placements is determined by calculating the discounted cash flow using the current market rates for the loans with fixed rate. For the loans with floating interest rates, it is assumed that carrying value reflects the fair value.

Available-for-sale financial assets at fair value of shares of the Group, which they are traded in the market at the reporting date, calculated based on the determined closing prices. The fair value of the shares that not traded in the market is determined by its cost. Government debt securities classified as available-for-sale financial assets have been measured by fair value that are used price that on the market. Thus, there is no difference between their fair value and carrying value.

Current Period- 31 December 2019	Carrying Value	Fair Value
Financial Assets	28.531.764	28.805.119
Interbank Money Market Placements	10.994.338	10.994.329
Banks	11.364	11.361
Financial Assets Available-for-Sale (Net)	1.230.698	1.230.698
Investments Held-to-Maturity (Net)	-	-
Loans (*)	16.295.364	16.568.731
Financial Liabilities	29.558.148	29.622.900
Bank Deposits	235.310	235.310
Other Deposits	27.504.955	27.557.393
Borrowings	1.368.001	1.380.315
Securities Issued	-	-
Miscellaneous Payables	449.882	449.882

(*) Includes the factoring receivables amounting to TL 126.556.

Prior Period- 31 December 2018	Carrying Value	Fair Value
Financial Assets	24.680.151	24.677.939
Interbank Money Market Placements	8.415.487	8.415.487
Banks	54.963	54.963
Financial Assets Available-for-Sale (Net)	511.129	511.129
Investments Held-to-Maturity (Net)	-	-
Loans (*)	15.698.572	15.696.360
Financial Liabilities	27.941.140	28.086.777
Bank Deposits	1.877.493	1.877.493
Other Deposits	22.980.996	23.129.722
Borrowings	2.783.586	2.780.497
Securities Issued	-	-
Miscellaneous Payables	299.065	299.065

(*) Includes the factoring receivables amounting to TL 192.282 TL.

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

b. Explanations on Fair Value Hierarchy:

Aforesaid classifications related to fair values are determined as follows;

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

made with consideration.

Current Period - 31 December 2019	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	465.539	1.624.323	-	2.089.862
- Government debt securities	465.539	-	-	465.539
- Share certificates	-	27.221	-	27.221
- Trading derivative financial assets	-	1.597.102	-	1.597.102
- Other securities	-	-	-	-
Hedging Derivative Financial Assets				
Available for Sale Financial Assets	1.230.698	-	-	1.230.698
- Share certificates (*)	-	-	-	-
- Government debt securities	1.230.698	-	-	1.230.698
- Other marketable securities	-	-	-	-
Total Assets	1.696.237	1.624.323	-	3.320.560
- Trading Derivative Financial Liabilities	-	1.440.432	-	1.440.432
Total Liabilities	-	1.440.432	-	1.440.432

(*) Unquoted share certificates amounting to TL 5.567 measured at cost in accordance with TFRS 9, are not included.

Prior Period - 31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	27.013	1.015.783	-	1.042.796
- Government debt securities	27.013	-	-	27.013
- Share certificates	-	14.656	-	14.656
- Trading derivative financial assets	-	1.001.127	-	1.001.127
- Other securities	-	-	-	-
Hedging Derivative Financial Assets				
Available for Sale Financial Assets	511.129	-	-	511.129
- Share certificates (*)	-	-	-	-
- Government debt securities	511.129	-	-	511.129
- Other marketable securities	-	-	-	-
Total Assets	538.142	1.015.783	-	1.553.925
- Trading Derivative Financial Liabilities	-	941.094	-	941.094
Total Liabilities	-	941.094	-	941.094

(*) Unquoted share certificates amounting to TL 5.567 measured at cost in accordance with TFRS 9, are not included.

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X. EXPLANATIONS REGARDING THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTS

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

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

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

None.

XI. EXPLANATIONS ON RISK MANAGEMENT

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

- RWA (Risk Weighted Amount) 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. Bank’s Risk Management Approach

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

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

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

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

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

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

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

- providing instructions and solving problems concerning risk policies and risk management,
- evaluating the main potential and current risks in the changing business atmosphere and political environment,
- tracking and checking the management of important risks,
- ensuring an appropriate risk culture is in place.

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

The Asset-Liability Committee’s main responsibilities are:

- providing continuous guidance to set up a perpetually developing structure in line with estimated risk parameters and the Parent Bank’s performance objectives,
- monitoring asset-liability and capital management risk and determining its effects,
- providing a forum where matters concerning asset-liability management can be discussed,
- providing opportunities for teamwork between various lines of work,
- finalizing inter-unit matters such as transfer pricing and effective distribution of resources,
- reviewing fund sources and fund utilization areas,
- monitoring capital adequacy, ensuring capital management within legal and internal limits, and reviewing the Internal Capital Adequacy Evaluation Process and documents,
- determining the most likely scenarios in terms of asset-liability planning by monitoring external banking factors and reviewing emergency plans, and
- evaluating alternate scenarios including interest, pricing, and portfolio structure, and reviewing asset-liability and term structure distribution.

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

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

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

Stress Tests

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

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

2. Overview of Risk Weighted Amounts:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period 31 December 2019	Prior Period 31 December 2018	Current Period 31 December 2019
	Credit risk (excluding counterparty credit risk) (CCR)	18.275.720	16.889.761
Standardized approach	18.275.720	16.889.761	1.462.058
Internal rating-based approach	-	-	-
Counterparty credit risk	1.298.586	1.458.480	103.887
Standardized approach for counterparty credit risk	1.298.586	1.458.480	103.887
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	-	-	-
Securitization exposures in banking book	-	-	-
IRB ratings-based approach	-	-	-
IRB supervisory formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	1.142.225	1.003.877	91.378
Standardized approach	1.142.225	1.003.877	91.378
Internal model approaches	-	-	-
Operational risk	2.700.068	2.819.385	216.005
Basic indicator approach	2.700.068	2.819.385	216.005
Standardized approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
TOTAL	23.416.599	22.171.503	1.873.328

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

b) Linkages Between Financial Statements and Regulatory Exposures

1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Current Period – 31 December 2019	Carrying values of items in accordance with TAS				
	Carrying Values in Financial Statements Prepared as per TAS	Subject to Credit Risk	Subject to Counterparty Credit Risk	Subject to Market Risk	Not Subject to Capital Requirements or Subject to Deduction from Capital
Assets					
Cash and balances and the CBRT	3.111.287	3.111.287	-	-	-
Banks	11.361	11.361	-	-	-
Interbank Money market placements	10.994.329	-	10.994.329	10.994.329	-
Financial assets at fair value through profit or loss	498.327	-	-	498.327	-
Financial Assets at Fair Value Through Other Comprehensive Income	1.230.698	1.230.698	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-	-
Derivative Financial Assets	1.597.102	-	1.597.102	1.597.102	-
Loans (Net)	16.295.364	16.295.364	-	-	-
Assets held for sale and assets of discontinued operations (net)	2.095	2.095	-	-	-
Subsidiaries (net)	-	-	-	-	-
Associates (net)	220	220	-	-	-
Joint ventures (net)	-	-	-	-	-
Tangible assets (net)	224.791	188.704	-	-	34.569
Intangible assets (net)	168.439	-	-	-	168.439
Investment property (net)	-	-	-	-	-
Tax assets	-	-	-	-	-
Deferred tax assets	211.012	211.012	-	-	-
Other assets	613.844	151.397	-	-	462.447
Total Assets	34.958.869	21.202.138	12.591.431	13.089.758	665.455
Liabilities					
Deposits	27.740.265	-	-	-	27.740.265
Funds borrowed	30.720	-	-	-	30.720
Interbank money markets	-	-	-	-	-
Securities issued	-	-	-	-	-
Funds	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Derivative financial liabilities	1.440.432	-	1.440.432	1.440.432	-
Factoring payables	-	-	-	-	-
Lease payables	124.393	-	-	-	124.393
Provisions	170.287	-	-	-	170.287
Tax liability	34.039	-	-	-	-
Deferred tax assets	-	-	-	-	-
Liabilities held for sale and liabilities of discontinued operations (net)	-	-	-	-	-
Subordinated debt	1.337.281	-	-	-	1.337.281
Other liabilities	939.587	-	-	-	939.587
Shareholders' Equity	3.141.865	-	-	-	3.141.865
Total Liabilities	34.958.869	-	1.440.432	1.440.432	33.479.569

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

Prior Period – 31 December 2018	Carrying values of items in accordance with TAS				
	Carrying Values in Financial Statements Prepared as per TAS	Subject to Credit Risk	Current Period – 31 December 2019	Carrying Values in Financial Statements Prepared as per TAS	Subject to Credit Risk
Assets					
Cash and balances and the CBRT	6.065.455	6.065.455	-	-	-
Banks	54.963	54.963	-	-	-
Interbank Money market placements	8.415.487	-	8.415.487	8.415.487	-
Financial assets at fair value through profit or loss	47.236	-	-	47.236	-
Financial Assets at Fair Value Through Other Comprehensive Income	511.129	511.129	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-	-
Derivative Financial Assets	1.001.127	-	1.001.127	1.001.127	-
Loans (Net)	15.698.572	15.688.767	-	-	9.805
Assets held for sale and assets of discontinued operations (net)	1.369	1.369	-	-	-
Subsidiaries (net)	-	-	-	-	-
Associates (net)	220	220	-	-	-
Joint ventures (net)	-	-	-	-	-
Tangible assets (net)	101.877	64.612	-	-	37.265
Intangible assets (net)	150.954	-	-	-	150.954
Investment property (net)	-	-	-	-	-
Tax assets	10.103	10.103	-	-	-
Deferred tax assets	139.325	138.118	-	-	1.207
Other assets	650.921	76.171	-	-	574.750
Total Assets	32.848.738	22.610.907	9.416.614	9.463.850	773.981
Liabilities					
Deposits	24.858.489	-	-	-	24.858.489
Funds borrowed	1.238.001	-	-	-	1.238.001
Interbank money markets	-	-	-	-	-
Securities issued	-	-	-	-	-
Funds	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Derivative financial liabilities	941.094	-	941.094	941.094	-
Factoring payables	-	-	-	-	-
Lease payables	-	-	-	-	-
Provisions	602.668	-	-	-	602.668
Tax liability	57.768	-	-	-	-
Deferred tax assets	-	-	-	-	-
Liabilities held for sale and liabilities of discontinued operations (net)	-	-	-	-	-
Subordinated debt	1.545.585	-	-	-	1.545.585
Other liabilities	618.276	-	-	-	618.276
Shareholders' Equity	2.986.857	-	-	-	2.986.857
Total Liabilities	32.848.738	-	941.094	941.094	31.849.876

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

1. The Main Sources of Differences Between Risk Amounts and Amounts Assessed in Accordance with TAS in the Financial Statements

Current Period		Subject To	Items Subject To	Subject To
31 December 2019	Total	Credit Risk	Counterparty	Market Risk
			Credit Risk	
Asset carrying value amount under scope of regulatory consolidation	34.958.869	21.202.138	12.591.431	13.089.758
Liabilities carrying value amount under regulatory scope of consolidation	1.440.432	-	1.440.432	1.440.432
Total net amount under regulatory scope of consolidation	36.399.301	21.202.138	14.031.863	14.530.190
Off-balance sheet amounts	-	9.384.318	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	918.732	-	-
Differences due to applications of BRSA	-	(5.898.902)	(12.847.779)	-
Differences due to risk reduction	-	(253.131)	-	-
Credit valuation adjustment	-	-	463.026	-
Risk Amounts	-	25.353.155	1.647.110	14.530.190
<hr/>				
Prior Period		Subject To	Items Subject To	Subject To
31 December 2018	Total	Credit Risk	Counterparty	Market Risk
			Credit Risk	
Asset carrying value amount under scope of regulatory consolidation	32.848.738	22.610.907	9.416.614	9.463.850
Liabilities carrying value amount under regulatory scope of consolidation	941.094	-	941.094	941.094
Total net amount under regulatory scope of consolidation	33.789.832	22.610.907	10.357.708	10.404.944
Off-balance sheet amounts	-	8.255.298	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	-	-	-
Differences due to applications of BRSA	-	(5.174.153)	(8.899.228)	-
Differences due to risk reduction	-	(190.233)	-	-
Credit valuation adjustment	-	-	280.212	-
Risk Amounts	-	25.501.819	1.738.692	10.404.944

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

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

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

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

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

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

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

Financial instruments accounted for at fair value and which can be traded in an active market are valued based on market price. The accuracy of the market price used is periodically tracked. Fair valuation of financial instruments for which there is no active market is carried out in line with TAS 39. Derivative financial instruments are evaluated using a reduced cash flow model using market data. When valuing some financial instruments, valuations made by third parties and generally accepted valuation models are also used. The accuracy and independence of data used in valuations are periodically checked. In addition, detailed control processes exist, which enable the analysis of current market values of financial instruments and the profit/loss effect of daily transactions. Generally, systems are used, and manual adjustments are avoided to ensure estimations related to valuations are prudent and reliable. In addition to existing controls, personnel carrying out purchase and sale transactions do not have any effect on valuation through market value.

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

c) Credit Risk Explanations

1. General Qualitative Information About Credit Risk:

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

Application models are used during initial loan underwriting and behavioral models are used for customers whose previous credit performance could be monitored. Behavioral models are mainly used in the credit monitoring process and in the evaluation process of portfolio risk. In order to ensure timely and complete fulfillment of all obligations arising from the loan, it is essential to obtain adequate collateral from the customers. The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. In this context, the minimum margin is determined by considering the quality of the collateral and collection expectancy in case of default and it is ensured that appropriate collateral is obtained for the loan type.

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

2. Credit Quality of Assets

Provisions for defaulted exposures made in accordance with related ratios after considering collaterals presented in "Communiqué of Provision". There are no differences for the bank between the definitions of “past due” and “provision made loans”.

Current Period 31 December 2019	Gross carrying values of (according to TAS)		Allowances / Amortization and Impairment of value	Net Values
	Defaulted Exposures	Non-defaulted Exposures		
Loans (*)	707.404	16.993.611	486.995	17.214.095
Debt Securities	-	1.730.321	1.296	1.729.025
Off-balance sheet exposure	7.016	15.481.731	1.857	15.486.890
Total	714.420	34.205.663	490.148	34.430.010

(*) Also includes factoring receivables amounting to TL126.556.

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

Prior Period 31 December 2018	Gross carrying values of (according to TAS)		Allowances / Amortization and Impairment of value	Net Values
	Defaulted Exposures	Non-defaulted Exposures		
Loans ^(*)	881.914	15.507.433	690.775	15.698.572
Debt Securities	-	587.938	29.573	558.365
Off-balance sheet exposure	4.699	11.222.374	4.343	11.222.730
Total	886.613	27.317.745	724.691	27.479.667

(*) Also includes factoring receivables amounting to TL 192.282.

1. Changes in Stock of Defaulted Loans and Debt Securities:

	Current Period 31 December 2019
I. Defaulted Loans and debt securities at prior period end	886.613
II. Loans and debt securities that have defaulted since the last reporting period	260.518
III. Returned to non-defaulted status	-
IV. Amounts written-off from asset	319.300
V. Other changes ^(*)	(113.336)
VI. Defaulted loans and debt securities at current period end (I+II-III-IV±V)	714.495

(*) Includes current period collections.

	Prior Period 31 December 2018
I. Defaulted Loans and debt securities at prior period end	864.976
II. Loans and debt securities that have defaulted since the last reporting period	195.881
III. Returned to non-defaulted status	-
IV. Amounts written-off from asset	3.848
V. Other changes ^(*)	(170.396)
VI. Defaulted loans and debt securities at current period end (I+II-III-IV±V)	886.613

(*) Includes current period collections.

2. Additional Explanation on Credit Quality of Assets

- Credit for which the principal and/or interest cannot be collected within 90 days from the date they are due,
- Credit which cannot be collected completely because the debtor cannot pay the debt related to equities or collateral and which have the potential to cause loss if the situation is not corrected,
- Credit for which the debtor’s creditworthiness weakened and the credit is accepted to have become weak,
- Credit for which the principal and/or interest cannot be paid for more than 90 days according to the Bank because the debtor has difficulty financing their operational capital or creating additional liquidity.

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A provision is set aside for these kinds of credit based on the rates and collateral in regulations. The Parent Bank recognizes no difference between ‘overdue’ receivables and ‘provision allocated’ receivables.

Overdue receivables which exceed 90 days are subject to a special provision.

When determining the provision amount as per the Provisions Regulation, the relevant provisions should be taken into account based on the groups. Additionally, as per the Provisions Regulation, if liability related to credits and other receivables owed to the Parent Bank cannot be met because of a temporary liquidity problem, credits and other receivables, including overdue interest, can be restructured by issuing additional credit as necessary to collect on Parent Bank receivables, or can be included in a new redemption plan.

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

i. Breakdown by geographical area

	Current Period 31 December 2019
Domestic	16.854.824
European Union Countries	102.736
USA, Canada	12.573
OECD Countries (*)	605
Off-Shore Banking Regions	7.377
Other	15.496
Total (**)	16.993.611

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

(**) Also includes factoring receivables amounting to TL 126.556.

	Prior Period 31 December 2018
Domestic	15.320.331
European Union Countries	154.734
USA, Canada	893
OECD Countries (*)	936
Off-Shore Banking Regions	1.053
Other	29.486
Total (**)	15.507.433

OECD Countries other than EU countries, USA and Canada.

(**) Also includes factoring receivables amounting to TL 192.282.

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

ii. Breakdown by Sector:

	Current Period 31 December 2019
Agriculture	35.732
Farming and Raising Livestock	2.870
Forestry	-
Fishery	32.862
Manufacturing	7.135.773
Mining and Quarrying	23.745
Production	6.131.705
Electricity, Gas and Water	980.323
Construction	1.797.420
Services	5.485.596
Wholesale and Retail Trade	1.008.168
Accommodation and Dining	233.729
Transportation and Telecom.	992.851
Financial Institutions	939.180
Real Estate and Rental Services	1.986.831
Self-Employment Services	213.861
Educational Services	-
Health and Social Services	110.976
Other	2.539.090
Total (*)	16.993.611

(*) Also includes factoring receivables amounting to TL 126.556.

	Prior Period 31 December 2018
Agriculture	50.927
Farming and Raising Livestock	2.453
Forestry	-
Fishery	48.474
Manufacturing	6.374.836
Mining and Quarrying	31.171
Production	5.821.490
Electricity, Gas and Water	522.175
Construction	1.409.205
Services	4.533.308
Wholesale and Retail Trade	1.515.771
Accommodation and Dining	265.773
Transportation and Telecom.	923.970
Financial Institutions	517.936
Real Estate and Rental Services	1.111.575
Self-Employment Services	96.801
Educational Services	-
Health and Social Services	101.482
Other	3.139.157
Total (*)	15.507.433

(*) Also includes factoring receivables amounting to TL 192.282

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

5. Remaining maturity distribution of receivables

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

6. Provisions booked for receivables based on sector:

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

7. Provisions booked for receivables based on sector based on geographical areas:

Non-performing loans and provision amounts are mainly domestic. Specific provisions amounting to TL 689.202 are booked for domestic non-performing loan risk amount of TL 879.042.

a) Ageing analysis of Accounting Past-Due Exposures:

	31 December 2019
30-60 days past-due exposures (*)	4.936.124
60-90 days past-due exposures	43.746
Total	4.979.870

(*) The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 30 days is TL 4.888.378

	31 December 2018
30-60 days past-due exposures (*)	2.334.210
60-90 days past-due exposures	42.268
Total	2.376.478

(*) The balance of the loans that are classified as closely monitored although they are not past due or past due for less than 30 days is TL 2.245.612

b) Breakdown of Restructured Receivables Based on Whether or Not Provisions Allocated:

	31 December 2019
Loans Structured from Standard Loans and Other Receivables	-
Loans Composed of Follow-on Loans and Other Receivables	2.217.046
Loans Restructured from Non-Performing Loans	41.376
	31 December 2018
Loans Structured from Standard Loans and Other Receivables	1.409.117
Loans Composed of Follow-on Loans and Other Receivables	1.250.562
Loans Restructured from Non-Performing Loans	6.800

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8. Qualitative disclosure on credit risk mitigation techniques:

The Parent Bank’s credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals, that are composed of cash or similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation. If credit assignment is conditioned to a collateral extension, the data of the collaterals must be entered to the banking information system. Operational transactions are handled by centralized Operation unit. During the credit utilization, compliance of all conditions between credit decision and credit utilization are controlled systematically.

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

9. Credit Risk Mitigation Techniques – Overview:

	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Current Period							
31 December 2019							
Loans	15.825.806	1.388.289	1.284.428	169	135	-	-
Debt Securities	1.729.025	-	-	-	-	-	-
Total	17.554.831	1.388.289	1.284.428	169	135	-	-
Defaulted	437.467	270.012	254.941	4.332	3.465	-	-
Prior Period							
31 December 2018							
Loans	14.118.632	1.579.940	1.455.267	1.160	928	-	-
Debt Securities	558.365	-	-	-	-	-	-
Total	14.676.997	1.579.940	1.455.267	1.160	928	-	-
Defaulted	670.253	211.661	209.807	4.783	3.827	-	-

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

d. Credit risk under standardized approach

1. Qualitative disclosures on banks’ use of external credit ratings under the standardized approach for credit risk

In Article 6 of Regulation on Bank’s Capital Adequacy Measurement and Evaluation, all of the receivables risk classes of centralized management and the Central Bank, and Moody’s Investor Service International Rating Agency rating grades for counterparty’s foreign receivables were used. The risk ratings of centralized management and the Central Bank, which are not rated by Moody’s Investor Service International Rating Agency, were determined to be unrated. Domestic receivables were determined to be unrated. Risk ratings of items which are not in purchase-sale accounts were determined by taking into account the issuer’s credit rating.

The table below shows the credit risk ratings and credit quality scale for the grades given by Moody’s Investor Service International Rating Agency.

Moody's Investor Service Credit Quality Scale

Long-term Credit Ratings

- 1 Aaa - Aa3
- 2 A1 - A3
- 3 Baa - Ba3
- 4 Ba1 - Ba3
- 5 B1 - B3
- 6 Caa1 ve below

Short-term Credit Ratings

- P-1
- P-2
- P-3
- NP

HSBC Bank’s Financial Power Rating

According to Moody’s Credit Rating Institution’s evaluations, HSBC Bank A.Ş.’s rating as of 31 December 2019 is as follows:

Definitions	Rating
Baseline Credit Assessment	caa2
Outlook	Negative
Long-term foreign currency deposit rating	B2
Long-term TL deposit rating	B2
Short-term foreign currency deposit rating	NP
Short-term TL deposit rating	NP
Long-term national scale TL deposit	Baa2.tr

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

1. Standardized Approach – Credit Risk Exposure and Credit Risk Mitigation (CRM) Effects:

Current Period 31 December 2019	Exposures before CCF and CRM		Exposures post- CCF and CRM		Risk Weighted Amount and Risk Weighted Amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amount	Risk Weighted Amount density
Asset classes						
Exposures to central governments or central banks	4.176.981	238.475	4.176.981	129.227	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	5	92	5	3	8	% 100
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	1.068.443	1.116.204	1.068.443	822.372	797.991	%42
Exposures to corporates	11.773.721	5.743.886	11.690.674	3.568.047	15.258.721	%100
Retail exposures	2.715.749	3.714.790	2.554.476	242.480	2.122.489	%76
Exposures secured by residential property	203.961	477	203.866	185	71.418	%35
Exposures secured by commercial real estate	1.412.270	9.467	1.412.269	5.502	754.234	%53
Past-due loans	230.389	-	230.373	-	226.666	%98
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
Other assets	880.202	26.225	880.202	15.160	342.779	%38
Investment in equities	-	-	-	-	-	-
Total	22.461.721	10.849.616	22.217.289	4.782.976	19.574.306	%72

Prior Period 31 December 2018	Exposures before CCF and CRM		Exposures post- CCF and CRM		Risk Weighted Amount and Risk Weighted Amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Asset classes	On-balance sheet amount	Off-balance sheet amount
Asset classes						
Exposures to central governments or central banks	6.067.789	187.645	6.067.789	93.838	496.641	%8
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	217	101	217	34	80	%32
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	683.160	1.331.767	683.165	1.208.587	755.741	%40
Exposures to corporates	10.429.612	4.349.332	10.403.686	3.121.307	13.524.993	%100
Retail exposures	3.324.348	3.919.889	3.172.221	201.957	2.547.223	%75
Exposures secured by residential property	293.727	-	293.607	-	102.762	%35
Exposures secured by commercial real estate	936.751	63.700	936.750	36.296	588.134	%60
Past-due loans	191.163	1.557	191.163	344	167.704	%88
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
Other assets	780.536	29.618	780.528	15.948	164.963	%21
Investment in equities	-	-	-	-	-	-
Total	22.707.303	9.883.609	22.529.126	4.678.311	18.348.241	%67

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

1. Standardized Approach – Exposures by Asset Classes and Risk Weights

Current Period 31 December 2019											Total credit risk exposure amount (After CCF and CRM)
Asset Classes/ Risk Weight	0%	10%	20%	35%	50% secured by real estate ^(*)	75%	100%	150%	200%	Other Risk Weights	
Exposures to central governments or central banks	4,306,208	-	-	-	-	-	-	-	-	-	4,306,208
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	8	-	-	-	8
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	1,164,689	-	322,144	-	403,982	-	-	-	1,890,815
Exposures to corporates	-	-	-	-	-	-	15,258,721	-	-	-	15,258,721
Retail exposures	-	-	-	-	-	2,697,877	99,079	-	-	-	2,796,956
Exposures secured by residential property	-	-	-	204,051	-	-	-	-	-	-	204,051
Exposures secured by commercial real estate	-	-	-	-	1,327,084	-	90,687	-	-	-	1,417,771
Past-due loans	-	-	-	-	63,960	-	109,866	56,547	-	-	230,373
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessments	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	552,581	-	-	-	-	-	342,781	-	-	-	895,362
Total	4,858,789	-	1,164,689	204,051	1,713,188	2,697,877	16,305,124	56,547	-	-	27,000,265

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

Prior Period 31 December 2018											Total credit risk exposure amount (After CCF and CRM)
Asset Classes/ Risk Weight	0%	10%	20%	35%	50% secured by real estate ^(*)	75%	100%	150%	200%	Other Risk Weights	
Exposures to central governments or central banks	5,664,986	-	-	-	-	-	496,641	-	-	-	6,161,627
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	214	-	-	-	37	-	-	-	251
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	1,057,884	-	579,407	-	254,461	-	-	-	1,891,752
Exposures to corporates	-	-	-	-	-	-	13,524,993	-	-	-	13,524,993
Retail exposures	-	-	-	-	-	3,307,819	66,359	-	-	-	3,374,178
Exposures secured by residential property	-	-	-	293,607	-	-	-	-	-	-	293,607
Exposures secured by commercial real estate	-	-	-	-	769,825	-	203,221	-	-	-	973,046
Past-due loans	-	-	-	-	50,158	-	138,797	2,552	-	-	191,507
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessments	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	631,513	-	-	-	-	-	164,963	-	-	-	796,476
Total	6,296,499	-	1,058,098	293,607	1,399,390	3,307,819	14,849,472	2,552	-	-	27,207,437

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

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

e) Explanation on Counterpart Credit Risk

1. Qualitative disclosure on counterparty credit risk

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

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

Current Period 31 December 2019	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardized Approach - CCR (For Derivatives)	450.413	568.788		1,4	1.019.201	802.565
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					164.964	32.995
Value at Risk for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
Total						835.560

Prior Period 31 December 2018	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardized Approach - CCR (For Derivatives)	600.798	745.322		1,4	1.346.120	918.386
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					112.360	22.472
Value at Risk for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
Total						940.858

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

3. Credit valuation adjustment (CVA) capital charge:

Current Period 31 December 2019	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk component (Including the 3* multiplier)		-
(ii) Stressed Value at Risk component (Including the 3* multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1.298.586	463.026
Total subject to the CVA capital charge	1.298.586	463.026

Prior Period 31 December 2018	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk component (Including the 3* multiplier)		-
(ii) Stressed Value at Risk component (Including the 3* multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1.458.480	280.212
Total subject to the CVA capital charge	1.458.480	280.212

4. Standard Approach - Counterparty Credit Risk (CCR) Exposures by Risk Class and Risk Weights:

Current Period - 31 December 2019 Regulatory Portfolio / Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Exposures (*)
Exposures to central governments or central banks	-	-	-	-	-	-	-	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to International organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	85.111	3.216	-	97.642	-	-	185.969
Exposures to corporates	-	-	-	-	-	1.019.647	-	-	1.019.647
Retail exposures	-	-	-	-	-	92.970	-	-	92.970
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	85.111	3.216	-	1.210.259	-	-	1.298.586

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

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

Prior Period - 31 December 2018	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Exposures ^(*)
Regulatory Portfolio / Risk weight									
Exposures to central governments or central banks	-	-	-	-	-	-	-	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	214	-	-	-	-	-	214
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to International organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	645.988	1.320	-	-	-	-	647.308
Exposures to corporates	-	-	-	-	-	764.107	-	-	764.107
Retail exposures	-	-	-	-	-	46.851	-	-	46.851
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	646.202	1.320	-	810.958	-	-	1.458.480

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

5. Composition of Collateral for CCR Exposure:

Current Period 31 December 2019	Collateral used in derivative transactions				Collateral used in other transactions	
	Fair Value of Collateral Received		Fair Value of Posted Collateral		Fair Value of Collateral Received	Fair Value of Posted Collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	4.468.584	-
Other sovereign debt	-	-	-	-	6.660.126	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	-	-	-	11.128.710	-

Prior Period 31 December 2018	Collateral used in derivative transactions				Collateral used in other transactions	
	Fair Value of Collateral Received		Fair Value of Posted Collateral		Fair Value of Collateral Received	Fair Value of Posted Collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	380.728	-
Other sovereign debt	-	-	-	-	8.353.618	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	-	-	-	8.734.346	-

6. Credit Derivatives:

None.

7. Exposure to Central Counterparties:

None.

f. Securitization Disclosures:

None.

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

g. Explanations on Consolidated Market Risk

1. Qualitative disclosure on consolidated market risk

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

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

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

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

Additional Risk Capital Requirement represents the loss that can occur due to the possibility of a decrease in the credit worthiness of issuers of securities in the trading portfolio. In addition to VaR and PVBP restrictions, Stress Tests are also being used to measure the potential effects of possible but extreme situations in various financial factors or market movements on the value of the portfolio. Stress Test results are assessed by the Senior Management in order to determine the effects of such incidents on the financials and to take necessary precautions to narrow down possible losses.

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

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

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XI. EXPLANATION ON RISK MANAGEMENT (Continued)

2. Standard Approach

	Current Period 31 December 2019
	Risk Weighted Amount
Outright Products	
Interest Rate Risk (general and specific)	610.365
Equity Risk (general and specific)	18.638
Foreign Exchange Risk	490.684
Commodity Risk	-
Options	
Simplified Approach	-
Delta-plus Method	22.538
Scenario Approach	-
Securitization	-
Total	1.142.225

	Prior Period 31 December 2018
	Risk Weighted Amount
Outright Products	
Interest Rate Risk (general and specific)	629.088
Equity Risk (general and specific)	17.425
Foreign Exchange Risk	353.839
Commodity Risk	-
Options	
Simplified Approach	-
Delta-plus Method	3.525
Scenario Approach	-
Securitization	-
Total	1.003.877

h. Explanations on Operational Risk:

The amount subject to the operational risk is calculated once every year through the use of “Basic Indicator Method” in the “Regulation Regarding Measurement and Evaluation of the Bank’s Capital Adequacy Ratio” published in the Official Gazette No.29511 dated 23 October 2015 and effective as of 1 July 2012. The amount subject to operational risk is calculated with the usage of the gross income of the Bank in 2016, 2017 and 2018.

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/losses from the sale of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

Current Period	31.12.2016	31.12.2017	31.12.2018	Total/No Years of Positive Gross	Rate (%)	Total
Gross Income	1.493.654	1.289.834	1.536.622	1.440.037	15	216.006
Operational Risk Capital Requirement (Total*12,5)						2.700.068

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XII. EXPLANATION ON OPERATING SEGMENTS

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

In the retail banking segment, the Parent Bank provides debit card, credit card, deposits, consumer loan, payment and collection, premier customer services, custodian services, financial planning, insurance products services. In corporate and commercial banking segment, the Parent Bank provides loans, commercial card, foreign trade financing, structured trading financing, project and export financing, syndications, custodian services, cash and risk management services. In the Corporate and Investment banking segment, the Parent Bank provides loan and investment services, commercial card, insurance products, cash and risk management services to its 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 – 31 December 2019					
Operating Income	694.491	969.044	547.062	(18.789)	2.191.808
Other	-	-	-	-	-
Operating Income	694.491	969.044	547.062	(18.789)	2.191.808
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(73.111)	344.244	364.645	(14.657)	621.121
Profit before Tax	(73.111)	344.244	364.645	(14.657)	621.121
Corporate Tax Provision ^(*)	-	-	-	(142.249)	(142.249)
Profit after Tax	(73.111)	344.244	364.645	(156.906)	478.872
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(73.111)	344.244	364.645	(156.906)	478.872
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	602.468	(13.122)	(13.033)	96.963	673.276
Capital Investment	-	-	-	96.963	96.963
Amortization	(64.223)	(13.122)	(10.747)	-	(88.092)
Impairment	-	-	(2.286)	-	(2.286)
Non-Cash Other Income-Expense ^(**)	666.691	-	-	-	666.691

^(*) Corporate tax provision is not distributed.

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

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XII. EXPLANATION ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Group’s Total Activities
Prior Period – 31 December 2018					
Operating Income ^(***)	510.563	500.072	289.459	-	1.300.094
Other	-	-	-	-	-
Operating Income	510.563	500.072	289.459	-	1.300.094
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(70.029)	307.699	220.757	(1.119)	457.308
Profit before Tax	(70.029)	307.699	220.757	(1.119)	457.308
Corporate Tax Provision ^(*)	-	-	-	(110.660)	(110.660)
Profit after Tax	(70.029)	307.699	220.757	(111.779)	346.648
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(70.029)	307.699	220.757	(111.779)	346.648
Segment Assets	4.053.960	8.152.060	20.642.498	-	32.848.518
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
Total Assets	4.053.960	8.152.060	20.642.498	220	32.848.738
Segment Liabilities	16.821.921	7.791.363	3.706.737	1.541.860	29.861.881
Undistributed Liabilities	-	-	-	2.986.857	2.986.857
Total Liabilities	16.821.921	7.791.363	3.706.737	4.528.717	32.848.738
Other Segment Items	98.401	(8.610)	(8.114)	74.762	156.439
Capital Investment	-	-	-	74.762	74.762
Amortization	(28.225)	(8.610)	(7.344)	-	(44.179)
Impairment	-	-	(770)	-	(770)
Non-Cash Other Income-Expense ^(**)	126.626	-	-	-	126.626

^(*) Corporate tax provision is not distributed.

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

^(***) Personnel Expenses are shown under operating income in compliance with the financial statement format.

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SECTION FIVE

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

1. Information on Cash Equivalents and the Account of the CBRT:

	Current Period 31 December 2019	
	TL	FC
Cash/Foreign Currency	86.936	293.585
The CBRT	471.666	2.236.046
Other (*)	-	23.488
Total	558.602	2.553.119

(*) As of 31 December 2019, account of Precious Metal is amounting to TL 23.488. As of 31 December 2019, there is no Money in Transit.

	Prior Period 31 December 2018	
	TL	FC
Cash/Foreign Currency	84.321	547.868
The CBRT	2.256.577	3.159.099
Other (*)	-	17.590
Total	2.340.898	3.724.557

(*) As of 31 December 2018, account of Precious Metal is amounting to TL 17.590. As of 31 December 2018, there is no Money in Transit.

2. Information Related to the Account of the CBRT:

	Current Period 31 December 2019	
	TL	TL
Unrestricted Demand Deposit	471.351	-
Unrestricted Time Deposits (*)	315	-
Restricted Time Deposits	-	-
Reserve Requirements	-	2.236.046
Total	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.

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

	Prior Period	
	31 December 2018	
	TL	TL
Unrestricted Demand Deposit	534.189	1.347.271
Unrestricted Time Deposits (*)	1.722.388	502.714
Restricted Time Deposits	-	-
Reserve Requirements	-	1.309.114
Total	2.256.577	3.159.099

(*) “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. Explanations on Reserve Requirements:

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, USD and/or Euro and standard gold.

As of 31 December 2019, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 1% and 7% (31 December 2018: 1,50% - 8%) for TL deposits and other liabilities, and between 5% and 21% for FC deposits (31 December 2018: 4% - 20%).

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

1. Financial Assets Given as Collateral/Blocked and Subject to Repurchase Agreements:

	Current Period
	31 December 2019
Collateral/Blocked	3.821
Repurchase Agreement	-
Unrestricted	461.718
Total	465.539

	Prior Period
	31 December 2018
Collateral/Blocked	3.708
Repurchase Agreement	-
Unrestricted	23.305
Total	27.013

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

2. Positive Differences Table Related to Trading Derivative Financial Assets:

	Current Period 31 December 2019	
	TL	FC
Forward Transactions	-	121.590
Swap Transactions	486.488	372.405
Futures Transactions	-	-
Options	-	616.619
Other	-	-
Total	486.488	1.110.614

	Prior Period 31 December 2018	
	TL	FC
Forward Transactions	-	490.631
Swap Transactions	30.183	234.520
Futures Transactions	-	-
Options	-	245.793
Other	-	-
Total	30.183	970.944

c) Information on Banks:

1. Information on Banks and Other Financial Institutions:

	Current Period 31 December 2018	
	TL	FC
Banks		
Domestic	386	-
Foreign	4	10.974
Foreign Head Office and Branches	-	-
Total	390	10.974

According to TFRS 9, as of December 31,2019 amount of TL 3 provision provided for the Bank account

	Prior Period 31 December 2018	
	TL	FC
Banks		
Domestic	30.422	2.656
Foreign	-	21.885
Foreign Head Office and Branches	-	-
Total	30.422	24.541

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

2. Information on Foreign Banks Balances:

	Free Amount	Non-Free Amount
	Current Period	Current Period
	31 December 2019	31 December 2019
European Union Countries	7.081	-
USA, Canada	741	-
OECD Countries (*)	2.985	-
Off-Shore Banking Regions	99	-
Other	72	-
Total	10.978	-

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

	Free Amount	Non-Free Amount
	Prior Period	Prior Period
	31 December 2018	31 December 2018
European Union Countries	18.410	-
USA, Canada	286	-
OECD Countries (*)	1.471	-
Off-Shore Banking Regions	432	-
Other	1.286	-
Total	21.885	-

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

d) Information on Financial Assets at Fair Value Through Other Comprehensive Income:

1. Financial Assets Given as Collateral/Blocked and Subject to Repurchase Agreements:

	Current Period
	31 December 2019
Collateral/Blocked	264.634
Repurchase Agreement	-
Unrestricted	966.064
Total	1.230.698
	Prior Period
	31 December 2018
Collateral/Blocked	502.515
Repurchase Agreement	-
Unrestricted	8.614
Total	511.129

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

2. Information on Financial Assets at Fair Value Through Other Comprehensive Income:

	Current Period 31 December 2019
Debt Securities	1.230.698
Quoted to Stock Exchange	1.230.698
Not Quoted	-
Share Certificate	-
Quoted to Stock Exchange	-
Not Quoted	-
Impairment Provision (-)	-
Total	1.230.698
	Prior Period 31 December 2018
Debt Securities	540.700
Quoted to Stock Exchange	540.700
Not Quoted	-
Share Certificate	-
Quoted to Stock Exchange	-
Not Quoted	-
Impairment Provision (-)	29.571
Total	511.129

e) Information Related to Loans:

1. Information on All Types of Loans and Advances Given to Shareholders and Employees of the Group:

	Current Period 31 December 2019	
	Cash	Non-cash
Direct Loans Granted to Shareholders	-	95.320
Corporate Shareholders	-	95.320
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	1.483	561.736
Loans Granted to Employees	15.166	-
Total	16.649	657.056
	Prior Period 31 December 2018	
	Cash	Cash
Direct Loans Granted to Shareholders	-	141.077
Corporate Shareholders	-	141.077
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	15.268	492.414
Loans Granted to Employees	11.960	-
Total	27.228	633.491

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

2. Information on the Standard Loans and Loans Under Close Monitoring Including Loans That Have Been Restructured or Rescheduled:

Cash Loans	Loans under Close Monitoring			
	Standard Loans	Loans not Subject to Restructuring	Restructured Loans Loans with Revised Contract Terms	Refinance
Non-specialized Loans	12.013.741	2.762.824	2.217.046	-
Commercial Loans	7.899.113	2.238.780	2.029.238	-
Export Loans	653.426	95.823	137.033	-
Import Loans	131.876	-	-	-
Loans Given to Financial Sector	823.668	-	-	-
Consumer Loans	979.679	135.816	3.318	-
Credit Cards	1.519.870	292.405	47.457	-
Other	6.109	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	12.013.741	2.762.824	2.217.046	-

(*) Includes the factoring receivables amounting to TL 126.556

	Standard Loans	Loans under Close Monitoring
General Provisions	124.466	-
Significant Increase at Credit Risk	-	794.265
Total	124.466	794.265

3. Breakdown of Loans According to Their Maturities:

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables	7.562.513	-	940.810	84.650
Non-Specialized Loans (*)	7.562.513	-	940.810	84.650
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	4.451.228	-	1.822.014	2.132.396
Non-Specialized Loans	4.451.228	-	1.822.014	2.132.396
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

(*) Includes the factoring receivables amounting to TL 126.556

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I. EXPLANATIONS AND NOTES RELATED TO THE 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	33.269	919.393	952.662
Mortgage Loans	123	379.800	379.923
Automotive Loans	-	3.481	3.481
Consumer Loans	33.146	534.115	567.261
Other	-	1.997	1.997
Consumer Loans- Indexed to FC	-	440	440
Mortgage Loans	-	440	440
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	1.810.619	30.683	1.841.302
Instalment	643.700	30.683	674.383
Non-Instalment	1.166.919	-	1.166.919
Individual Credit Cards-FC	7.459	-	7.459
Instalment	481	-	481
Non-Instalment	6.978	-	6.978
Personnel Loans-TL	591	8.329	8.920
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	591	8.329	8.920
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	6.166	1	6.167
Instalment	2.996	1	2.997
Non-Instalment	3.170	-	3.170
Personnel Credit Cards-FC	79	-	79
Instalment	-	-	-
Non-Instalment	79	-	79
Overdraft Account-TL (Individual)	156.791	-	156.791
Overdraft Account-FC (Individual)	-	-	-
Total	2.014.974	958.846	2.973.820

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

5. Information on Commercial Instalment Loans and Corporate Credit Cards:

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	-	14.098	14.098
Mortgage Loans	-	6	6
Automotive Loans	-	-	-
Consumer Loans	-	14.092	14.092
Other	-	-	-
Commercial Instalment Loans- Indexed to FC	-	26.396	26.396
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	20.175	20.175
Other	-	6.221	6.221
Commercial Instalment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	3.843	-	3.843
Instalment	632	-	632
Non-Instalment	3.211	-	3.211
Corporate Credit Cards-FC	882	-	882
Instalment	-	-	-
Non-Instalment	882	-	882
Overdraft Account-TL (Commercial)	-	-	-
Overdraft Account-FC (Commercial)	-	-	-
Total	4.725	40.494	45.219

6. Loans According to Types of Borrowers:

	Current Period 31 December 2019
Public	33
Private (*)	16.993.578
Total	16.993.611

(*) Includes the factoring receivables amounting to TL 126.556

	Prior Period 31 December 2018
Public	-
Private (*)	15.507.433
Total	15.507.433

(*) Includes the factoring receivables amounting to TL 192.282

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

7. Domestic and Foreign Loans:

	Current Period 31 December 2019
Domestic Loans	16.854.824
Foreign Loans	138.787
Total (*)	16.993.611

(*) Includes the factoring receivables amounting to TL 126.556

	Prior Period 31 December 2018
Domestic Loans	15.320.331
Foreign Loans	187.102
Total (*)	15.507.433

(*) Includes the factoring receivables amounting to TL 192.282

8. Loans Granted to Investments in Associates and Subsidiaries:

As of 31 December 2019, and 31 December 2018, the Group has no loans granted to investments in associates and subsidiaries.

9. Specific Provisions Provided Against Loans:

	Current Period 31 December 2019
Loans with Limited Collectability	17.593
Loans with Doubtful Collectability	76.799
Uncollectible Loans	392.603
Total	486.995

	Prior Period 31 December 2018
Loans with Limited Collectability	8.840
Loans with Doubtful Collectability	31.109
Uncollectible Loans	650.826
Total	690.775

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

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	Loans with Doubtful Collectability	Uncollectible Loans
Current Period: 31 December 2019			
Gross Amounts Before Provisions	8.880	7.700	24.796
Rescheduled Loans	8.880	7.700	24.796
Prior Period: 31 December 2018			
Gross Amounts Before Provisions	-	1.685	5.115
Rescheduled Loans	-	1.685	5.115

10 (ii). Information on the Movement of Total Non-Performing Loans:

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Balance at the end of Prior Period: 31 December 2018	45.696	68.682	767.536
Additions (+)	251.588	3.837	5.093
Transfers from Other Categories of Non-Performing Loans (+)	-	230.193	143.206
Transfers to Other Categories of Non-Performing Loans (-)	230.193	143.206	-
Collections (-)	30.871	20.526	64.255
Write-offs (-)	-	-	4.214
Sold Portfolio (-)	-	-	315.087
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	315.087
Other	-	-	-
Balance at the End of the Period: 31 December 2019	36.220	138.980	532.279
Specific Provisions (-)	17.593	76.799	392.603
Net Balance in Balance Sheet	18.627	62.181	139.676

10 (iii). Information on Non-Performing Loans Granted as Foreign Currency Loans:

As of 31 December 2019, there are no non-performing loans granted as foreign currency loans (31 December 2018: None).

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

10 (iv). Breakdown of Gross and Net Values of Non-Performing Loans According to Their Beneficiary Group:

	<u>III. Group</u>	<u>IV. Group</u>	<u>V. Group</u>
	<u>Loans with Limited Collectability</u>	<u>Loans with Doubtful Collectability</u>	<u>Uncollectible Loans</u>
Current Period (Net): 31 December 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 and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): 31 December 2018	36.856	37.573	116.710
Loans granted to corporate entities and real persons (Gross)	45.696	68.682	767.536
Provisions Amount (-)	8.840	31.109	650.826
Loans granted to corporate entities and real persons (Net)	36.856	37.573	116.710
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

	<u>III. Group</u>	<u>IV. Group</u>	<u>V. Group</u>
	<u>Loans with Limited Collectability</u>	<u>Loans with Doubtful Collectability</u>	<u>Uncollectible Loans</u>
Current Period (Net): 31 December 2019	8.132	9	1
Interest Accruals and Valuation Differences	15.992	9	1
Provisions 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. Explanations on the Write-Off Policy of the Parent Bank:

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

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

f) Explanation on Financial Assets Measured at Amortized Cost:

1. Information on Financial Assets Given as Collateral/Blocked and Subject to Repurchase Agreements and those:

As of 31 December 2019, the Group has no financial assets measured at amortized cost given as collateral/blocked and subject to repurchase agreements.

2. Information on Government Debt Securities:

As of 31 December 2019, the Group has no investments as government debt securities measured at amortized cost (31 December 2018: None).

3. Information on Financial Assets Measured at Amortized Cost:

As of 31 December 2019, the Group has no financial assets measured at amortized cost (31 December 2018: None).

4. The Movement of Financial Assets Measured at Amortized Cost:

As of 31 December 2019, the Group has no movement of financial assets at amortized cost (31 December 2018: None).

g) Information on Associates (Net):

The Group has no associates as of 31 December 2019 and 31 December 2018.

h) Information on Subsidiaries (Net):

1. Information on Capital Adequacy of Major Subsidiaries:

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

	HSBC Yatırım ve Menkul Değerler A.Ş. (*)
Core Capital	96.197
Paid-in Capital	7.000
Share Premium	-
Reserves	39.072
Current Period’s Profit and Prior Periods’ Profit	50.125
Current Period’s Losses and Prior Periods’ Losses	-
Leasehold Improvements on Operational Leases (-)	-
Intangible Assets (-)	184
Supplementary Capital	-
Deductions from Capital	-
Net Available Equity	96.013

(*) Prepared with the audited financial statements as of 31 December 2019.

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

2. Information on Unconsolidated Subsidiaries:

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 Marketab le Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
2.139	2.130	-	-	-	13	1.890	-

(*) Prepared with non-reviewed financial statements as of 30 September 2019.

3. Information on the Consolidated Subsidiaries:

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

a) Consolidated Subsidiaries:

Title	Address (City/Country)	The Parent Bank’s share percentage – If different voting percentage (%)	Bank’s risk group share percentage (%)
HSBC Yatırım ve Menkul Değerler A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	99,87	0,13

b) Main Financial Figures of Subsidiaries, in the Order of the Below Table (*)():**

Total Assets	Shareholder s’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss (**)	Fair Value
108.356	84.187	4.916	12.281	2.265	21.477	22.191	-

(*) Prepared with the audited financial statements as of 30 September 2019.

(**) Prepared with the non-reviewed financial statements as of 30 September 2018.

(***) Financial Information given at above includes consolidated information HSBC Yatırım.

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

4. Movement Schedule of the Consolidated Subsidiaries:

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

	Prior Period 31 December 2018
Balance at the Beginning of the Period	34.753
Movements During the Period	-
Purchases	-
Bonus Shares and Contributions to Capital	-
Dividends From Current Year Profit	-
Sales/Liquidation	-
Revaluation Increase	-
Increase/(Decrease) of Valuation	-
Balance at the End of the Period	34.753
Capital Commitments	-
Share Percentage at the End of the Period (%)	99,87

5. Sectoral Information on Financial Subsidiaries and the Related Carrying Amounts:

	Current Period 31 December 2019
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	34.753

	Prior Period 31 December 2018
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	34.753

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

6. Subsidiaries Quoted on a Stock Exchange:

The Group has no subsidiaries quoted on a stock exchange as of 31 December 2019 and 31 December 2018.

i) Information on Jointly Controlled Entities:

1. The Group has no jointly controlled entities as of 31 December 2019 and 31 December 2018.
2. As of 31 December 2019, and 31 December 2018, the accounting method is not determined since the Group has no jointly controlled entities.

j) Information on Financial Lease Receivables (Net):

As of 31 December 2019, and 31 December 2018, the Group has no finance leases.

k) Explanations on Hedging Derivative Financial Assets:

As of 31 December 2019, and 31 December 2018, the Group has no hedging derivative financial assets.

l) Explanations on Property and Equipment:

	Land and Buildings	Fixed Assets Under Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
Prior Period End:					
Cost	17.201	-	10.445	294.494	322.140
Accumulated Depreciation and Impairment (-)	10.339	-	188	209.736	220.263
Net Book Value	6.862	-	10.257	84.758	101.877
Current Period End					
Net Book Value at the Beginning	6.862	-	10.257	84.758	101.877
Additions	-	154.875	16	30.494	185.385
Disposals (Cost)	-	-	-	16.679	16.679
Disposals (Depreciation)	-	-	-	16.031	16.031
Depreciation (-)	287	32.143	2.099	27.294	61.823
Cost at Period End	17.201	154.875	10.461	308.309	490.846
Accumulated Depreciation at Period End (-)	10.626	32.143	2.287	220.999	266.055
Closing Net Book Value	6.575	122.732	8.174	87.310	224.791

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

m) Explanations on Intangible Assets:

1. Gross Book Value and Accumulated Depreciation Amounts at the Beginning and Ending of the Period:

	Current Period 31 December 2019
Gross book value	451.110
Accumulated depreciation (-)	282.671
Net Book Value	168.439
	Prior Period 31 December 2018
Gross book value	407.389
Accumulated depreciation (-)	256.435
Net Book Value	150.954

2. Table of Movements Between Beginning of the Period and Ending of the Period

	Current Period 31 December 2019
Opening balance	150.954
Additions	64.430
Disposals (-) (net)	20.708
Depreciation (-)	26.237
Closing Net Book Value	168.439
	Prior Period 31 December 2018
Opening balance	147.930
Additions	24.311
Disposals (-) (net)	-
Depreciation (-)	21.287
Closing Net Book Value	150.954

n) Explanations on the Investment Properties:

As of 31 December 2019, and 31 December 2018, the Group has no investment properties.

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

o) Explanations on Deferred Tax Asset:

	Cumulative	Deferred Tax
	31 December 2019	Asset/Liability
	31 December 2019	31 December 2019
Fiscal Loss	56.747	12.486
Unearned Revenues	57.901	11.992
Employee Termination Benefit Provision	4.114	905
Restructuring Provision	1.440.432	295.395
Derivative Expense Rediscount Provision	1.168.935	238.125
Deferred Tax Asset	2.728.129	558.903
Derivative Transactions Fair Value Difference	(1.649.764)	(347.891)
Other	-	-
Deferred Tax Liability	(1.649.764)	(347.891)
Deferred Tax Asset Recognized as Asset		-
Net Tax Asset ^(*)		211.012

^(*) Information on the deferred tax asset as of 31 December 2019 is disclosed in Note XX of Section Three.

	Cumulative	Deferred Tax
	31 December 2018	Asset/Liability
	31 December 2018	31 December 2018
Fiscal Loss	55.139	12.131
Unearned Revenues	60.314	13.269
Employee Termination Benefit Provision	56.629	11.326
Restructuring Provision	49.459	10.881
Derivative Expense Rediscount Provision	941.095	203.942
Other	566.190	113.238
Deferred Tax Asset	1.728.826	364.787
Derivative Transactions Fair Value Difference	-	-
Other	(1.040.512)	(225.462)
Deferred Tax Liability	(1.040.512)	(225.462)
Deferred Tax Asset Recognized as Asset		-
Net Tax Asset ^(*)		139.325

^(*) Information on the deferred tax asset as of 31 December 2019 is disclosed in Note XX of Section Three.

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

	Current Period 31 December 2019
Deferred Tax as of January 1 Asset/ (Liability)- Net	247.398
Deferred Tax (Loss) / Gain	(35.983)
Deferred Tax that is Realized Under Shareholder’s Equity	(403)
Deferred Tax Asset/ (Liability) – Net	211.012
	Prior Period 31 December 2018
Deferred Tax as of January 1 Asset/ (Liability)- Net	233.836
Deferred Tax (Loss) / Gain	(94.475)
Deferred Tax that is Realized Under Shareholder’s Equity	(36)
Deferred Tax Asset/ (Liability) – Net	139.325

p) Explanations on Assets Held for Sale and Assets Related to Discontinued Operations:

As of 31 December 2019, assets held for sale of the Group is TL 2.095 (31 December 2018: TL 1.369).

	Current Period 31 December 2019
Prior Period End:	
Cost	1.524
Accumulated Depreciation (-)	155
Net Book Value	1.369
Current Period End:	
Net Book Value at the Beginning	1.369
Additions	2.023
Disposals (Cost)	1.317
Disposals (-) (Depreciation)	52
Depreciation (-)	32
Cost at Period End	2.230
Accumulated Depreciation at Period End (-)	135
Closing Net Book Value	2.095
	Prior Period 31 December 2018
Prior Period End:	
Cost	1.852
Accumulated Depreciation (-)	162
Net Book Value	1.690
Current Period End:	
Net Book Value at the Beginning	1.690
Additions	294
Disposals (Net) (-)	611
Depreciation (-)	4
Cost at Period End	1.535
Accumulated Depreciation at Period End (-)	166
Closing Net Book Value	1.369

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

r. Information on Other Assets:

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

	Current Period 31 December 2019
Miscellaneous Receivables (*) (**)	497.118
Prepaid Expenses	26.960
Debited Suspense Accounts	56.920
Other Rediscount Income	27.264
Other Assets	5.582
Total	613.844

(*) Includes the BIST and derivative securities.

(**) According to transition to TFRS 9 as of December 31, 2019, TL 4.998 provision is provided for Miscellaneous Receivables.

	Prior Period 31 December 2018
Miscellaneous Receivables (*)	498.100
Prepaid Expenses	39.932
Debited Suspense Accounts	77.122
Other Rediscount Income	28.654
Other Assets	7.113
Total	650.921

(*) Includes the BIST and derivative securities.

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

As of 31 December 2019, and 31 December 2018, the Group has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

a) Information on Deposits

1. Information on Maturity Structure of the Deposits

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

1(i). Current Period - 31 December 2019:

	With 7 Days Demand Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months- Months	6 1 Year	1 Year and Cumulative Over	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

1(ii). Prior Period - 31 December 2018:

	With 7 Days Demand Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months- Months	6 1 Year	1 Year and Cumulative Over	Deposit	Total
Saving Deposits	287.253	-	788.211	2.627.955	1.228.322	214.741	129.880	- 5.276.362
Foreign Currency Deposits	2.367.443	-	3.959.373	7.929.278	689.730	264.653	91.188	- 15.301.665
Residents in Turkey	2.042.331	-	3.837.536	7.402.054	588.283	224.949	40.674	- 14.135.827
Residents Abroad	325.112	-	121.837	527.224	101.447	39.704	50.514	- 1.165.838
Public Sector Deposits	2.416	-	-	-	-	-	-	- 2.416
Commercial Deposits	512.428	-	1.356.320	69.652	26.709	24	81.790	- 2.046.923
Other Institutions Deposits	4.237	-	189	2	-	-	-	- 4.428
Precious Metal Deposit	235.468	-	1.424	106.370	1.702	4.238	-	- 349.202
Bank Deposits	132.885	-	1.744.608	-	-	-	-	- 1.877.493
The CBRT	-	-	1.698.541	-	-	-	-	- 1.698.541
Domestic Banks	-	-	-	-	-	-	-	- -
Foreign Banks	132.885	-	46.067	-	-	-	-	- 178.952
Participation Banks	-	-	-	-	-	-	-	- -
Other	-	-	-	-	-	-	-	- -
Total	3.542.130	-	7.850.125	10.733.257	1.946.463	483.656	302.858	- 24.858.489

2. Information on Saving Deposits Insurance

2(i). Information on Saving Deposits Under Guarantee of the Saving Deposit Insurance Fund and Amounts Exceeding the Limit of Deposit Insurance:

	Covered by Deposit Insurance	Exceeding Deposit Insurance Limit
	Current Period 31 December 2019	Current Period 31 December 2019
Saving Deposits	1.983.508	1.750.203
Foreign Currency Saving Deposits	3.330.674	12.173.517
Other Deposits in the Form of Saving Deposits	137.541	1.226.965
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-
Total	5.451.723	15.150.685

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

	Covered by Deposit Insurance	Exceeding Deposit Insurance Limit
	Prior Period	Prior Period
	31 December 2018	31 December 2018
Saving Deposits	2.093.383	3.182.979
Foreign Currency Saving Deposits	1.983.620	9.517.816
Other Deposits in the Form of Saving Deposits	29.818	319.384
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-
Total	4.106.821	13.020.179

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

2(iii). Saving Deposits of Individuals Which are Not Covered by the Saving Deposit Insurance Fund:

	Current Period
	31 December 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 wardship	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 Solely	-
	Prior Period
	31 December 2018
Foreign Branches' Deposits and other accounts	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wardship	14.407
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 Solely	-

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(Continued)**

b) Information on Trading Derivative Financial Liabilities:

Table of Negative Differences for Trading Derivative Financial Liabilities:

	Current Period 31 December 2019	
	TL	FC
Forward Transactions	-	188.735
Swap Transactions	464.612	169.598
Future Transactions	-	-
Options	-	617.487
Other	-	-
Total	464.612	975.820

	Prior Period 31 December 2018	
	TL	FC
Forward Transactions	556	161.147
Swap Transactions	25.365	507.812
Future Transactions	-	-
Options	-	246.214
Other	-	-
Total	25.921	915.173

c) Information on Funds Provided Under Repurchase Agreement:

As of 31 December 2019, the Group does not have any funds provided under repurchase agreements (31 December 2018: None).

d) Information on Funds Borrowed:

1. Information on Banks Other Financial Institutions:

	Current Period 31 December 2019	
	TL	FC
Borrowings from the CBRT	-	-
From Domestic Bank and Institutions	-	-
From Foreign Banks, Institutions and Funds	-	30.720
Total	-	30.720

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(Continued)**

	Prior Period 31 December 2018	
	TL	FC
Borrowings from the CBRT	-	-
From Domestic Bank and Institutions	-	-
From Foreign Banks, Institutions and Funds	1.200.041	37.960
Total	1.200.041	37.960

2. Information on Maturity Structure of Funds Borrowed:

	Current Period 31 December 2019	
	TL	FC
Short-Term	-	30.720
Medium and Long-Term	-	-
Total	-	30.720

	Prior Period 31 December 2018	
	TL	FC
Short-Term	-	37.960
Medium and Long-Term	1.200.041	-
Total	1.200.041	37.960

3. Further Information is Disclosed for the Areas of Liability Concentrations:

The 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.

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**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES
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f) Information on Leasing Agreements:

1. Explanations on Obligations Under Financial Leases:

In accordance with the “IFRS 16 Lease” Standard effective as of January 1, 2019, the difference between operational lease and financial lease has disappeared, and lease transactions have started to be displayed under the “Liabilities from Leasing Transactions”.

	Current Period 31 December 2019
Less Than 1 Year	2.963
Between 1- 4 Years	75.872
More Than 4 Years	45.558
Total	124.393

As of 31 December 2019, The Group has no obligations under financial leases.

g) Information on Derivative Financial Liabilities for Hedging Purposes:

As of 31 December 2019, The Group has no derivative financial liabilities for hedging purposes (31 December 2018: None).

h) Information on Provisions:

1. Information on General Provisions:

	Current Period 31 December 2019
Provisions for Off-Balance Sheet Commitments ^(*)	25.855
	Prior Period 31 December 2018
General Provisions^(*)	404.760
Provisions for First Group Loans and Receivables	189.721
Provisions for Second Group Loans and Receivables	68.462
Provisions for Non-Cash Loans	40.759
Other	105.818

^(*) General provisions set aside for the Stage 1 & 2 cash and non-cash loans and other financial assets prior to IFRS 9 are presented in the “General Provisions” in the liabilities, while the loss provisions allocated for the Stage 3 non-cash loans are included in the “Other Provisions”, yet, in accordance with IFRS 9; the expected loss provisions for the Stage 1, 2, 3 reserved only for non-cash loans under “Other Provisions” account in the liabilities. The expected loss provisions for cash loans and other financial assets started to be disclosed in assets with the transition to IFRS 9.

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**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES
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2. Information on Employee Benefit Provision:

As of 31 December 2019, the Group has employee termination benefit provision amounting to TL 57.901 (31 December 2018: TL 56.629), and unused vacation provision amounting to TL 9.917 (31 December 2018: TL 8.952).

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 6.379,86 (full TL) (31 December 2018: TL 5.434,42 (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 Group 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 1 July 2019, TL 6.379,86 (full TL) (31 December 2018: TL 5.434,42 (full TL)).

	Current Period 31 December 2019
As of January, 1	56.629
Service Cost	4.170
Interest Cost	7.805
Actuarial Loss/(Gain)	(4.638)
Paid in Current Period	(6.065)
Total	57.901
	Prior Period 31 December 2018
As of January, 1	57.539
Service Cost	8.675
Interest Cost	5.805
Actuarial Loss/(Gain)	(3.124)
Paid in Current Period	(12.266)
Total	56.629

3. Information on Provisions Related to Foreign Currency Difference of Foreign Indexed Loans and Finance Lease Receivables:

As of 31 December 2019, the Group has no provisions related to foreign currency difference on the principles of foreign currency indexed loans (31 December 2018: None).

4. Information on Specific Provision for Non-Cash Loans That is Non-Funded and Non-Transformed into Cash:

As of 31 December 2019, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.857 (31 December 2018: TL 4.343).

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5. Information on Restructuring Provisions:

As of 31 December 2019, restructuring provisions amounting to TL 4.114 (31 December 2018: 49.459 TL).

6. Information on Other Provisions:

6 (i). Information on Free Provisions for Possible Risks:

As of 31 December 2019, the Group has no free provisions for possible risks (31 December 2018: None)

6 (ii). The Names and Amounts of Sub-Accounts of Other Provision Under the Condition of Other Provisions Exceed 10% of Total Provisions:

	Current Period 31 December 2019
Provisions for Lawsuits	35.716
Provision for Accumulated Credit Card Bonus	4.058
Return Provision of Case File Expenses	570
Specific Provision for Non-Cash Loans That are Non-Funded and Non-Transformed Into Cash	1.857
Other Provisions (*)	56.154
Total	98.355

(*) Includes other provisions of the expected loss allowances allocated under Stage 1 and 2 non-cash loans within the scope of TFRS 9 amounting to TL 25.855 and other provisions allocated under IAS 37.

	Prior Period 31 December 2018
Provisions for Lawsuits	32.467
Provision for Accumulated Credit Card Bonus	4.623
Return Provision of Case File Expenses	1.284
Specific Provision for Non-Cash Loans That are Non-Funded and Non-Transformed Into Cash	4.343
Other Provisions (*)	40.151
Total	82.868

(*) Includes other provisions within TAS 37.

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.

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1(i). Information on Taxes Payable:

	Current Period 31 December 2019
Taxation on Marketable Securities	23.262
Banking Insurance Transaction Tax (BITT)	11.815
Corporate Taxes Payable	(22.332)
Capital Gains Tax on Property	408
Value Added Tax Payable	749
Foreign Exchange Transaction Tax	2.190
Other ^(*)	7.978
Total	24.070

^(*) As of 31 December 2019, other taxes payable amount consists of payroll tax amounting to TL 6.731, stamp tax amounting to TL 220 and other taxes amounting to TL 850, and self-employed income tax amounting to TL 177.

^(**) Referring the amount remaining after the net of corporate tax provisions from prepaid temporary tax amount

	Prior Period 31 December 2018
Taxation on Marketable Securities	19.282
Banking Insurance Transaction Tax (BITT)	17.024
Corporate Taxes Payable	1.841
Capital Gains Tax on Property	348
Value Added Tax Payable	1.095
Foreign Exchange Transaction Tax	-
Other ^(*)	9.253
Total	48.843

^(*) As of 31 December 2018, other taxes payable amount consists of payroll tax amounting to TL 7.907, stamp tax amounting to TL 203 and other taxes amounting to TL 964, and self-employed income tax amounting to TL 179.

1(ii). Information on Premium Payables:

	Current Period 31 December 2019
Social Security Premiums – Employee	3.750
Social Security Premiums – Employer	5.138
Bank Social Aid Pension Fund Premium – Employee	-
Bank Social Aid Pension Fund Premium – Employer	-
Pension Fund Membership Fees and Provisions – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Unemployment Insurance – Employee	718
Unemployment Insurance – Employer	363
Other	-
Total	9.969

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	Prior Period 31 December 2018
Social Security Premiums – Employee	3.673
Social Security Premiums – Employer	4.342
Bank Social Aid Pension Fund Premium – Employee	-
Bank Social Aid Pension Fund Premium – Employer	-
Pension Fund Membership Fees and Provisions – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Unemployment Insurance – Employee	300
Unemployment Insurance – Employer	610
Other	-
Total	8.925

2. Information on Deferred Tax Liability:

Information on the Group's deferred tax liability as of 31 December 2019 is explained in Note XX of Section Three.

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

As of 31 December 2019, and 31 December 2018, the Group has no liabilities regarding assets held for sale and discontinued operations.

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

As of 31 December 2019, the Bank has obtained a subordinated loan from HSBC Holdings Plc amounting to USD 275 million with 10 years maturity and USD Libor + 4,48% interest rate in accordance with the permit from BRSA No: 20008792 dated 26 January 2015.

	Current Period 31 December 2019	
	TL	FC
Domestic Banks	-	-
Other Domestic Institutions	-	-
Foreign Banks	-	1.337.281
Other Foreign Institutions	-	-
Total	-	1.337.281

	Prior Period 31 December 2018	
	TL	FC
Domestic Banks	-	-
Other Domestic Institutions	-	-
Foreign Banks	-	1.545.585
Other Foreign Institutions	-	-
Total	-	1.545.585

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

I) Information on Shareholders' Equity:

1. Presentation of Paid-In Capital:

	Current Period 31 December 2019
Common Stock Provision	652.290
Preferred Stock Provision	-
	Prior Period 31 December 2018
Common Stock Provision	652.290
Preferred Stock Provision	-

Amount of paid-in capital is presented in nominal amount. As of 31 December 2019, 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 (31 December 2018: Other capital reserve is amounting to TL 272.693).

With the circular issued by the BRSA on 28 April 2005, the capital reserve amounting to TL 272.693 has been transferred to the subsidiary account of the other capital reserves a due to the correction of paid-in capital. (31 December 2018: TL 272.693)

2. Amount of Paid-In-Capital, Explanations as to Whether the Registered Share Capital System is Applied, If so, the Amount of Registered Share Capital Ceiling:

Registered share capital system is not applied.

3. Information on the Share Capital Increases During the Period 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. Summary Information on Privileges Given to Shares Representing the Capital:

Share structure of the Parent Bank does not consist privileges given to shares representing the capital.

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(Continued)**

8. Information on Valuation Differences of Marketable Securities:

	Current Period 31 December 2019	
	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	-	-
Foreign Currency Difference	-	-
Securities Measures at Fair Value Through Other Comprehensive Income (FVOCI)	26.011	-
Valuation Difference	26.011	-
Foreign Currency Difference	-	-
Total	26.011	-
	Prior Period 31 December 2018	
	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	-	-
Foreign Currency Difference	-	-
Securities Measures at Fair Value Through Other Comprehensive Income (FVOCI)	(46.092)	-
Valuation Difference	(46.092)	-
Foreign Currency Difference	-	-
Total	(46.092)	-

9. Information on Revaluation Value Increase Fund

As of 31 December 2019, and 31 December 2018, the Group has no revaluation value increase fund.

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(Continued)**

10. Information on Legal Reserves:

	Current Period 31 December 2019
First Legal Reserve	186.415
Second Legal Reserve	12.584
Legal Reserves according to Special Legislation	-
Total	198.999

	Prior Period 31 December 2018
First Legal Reserve	185.941
Second Legal Reserve	10.577
Legal Reserves according to Special Legislation	-
Total	196.518

11. Information on Extraordinary Reserves:

	Current Period 31 December 2019
Reserves Allocated per General Assembly Minutes	1.439.746
Undivided Profit	97.846
Accumulated Loss	-
Foreign Currency Differences	-
Total	1.537.592

	Prior Period 31 December 2018
Reserves Allocated per General Assembly Minutes	1.493.224
Undivided Profit	97.844
Accumulated Loss	-
Foreign Currency Differences	-
Total	1.591.068

12. Information on Minority Shares:

The Group has no minority shares as of 31 December 2019 and 31 December 2018.

12. Information on Shareholders Having More Than 10% Share in Capital and/or Voting Right:

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

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

a) Explanations on Off-Balance Sheet Commitments:

1. Loan Type and Amount of Irrevocable Commitments:

	Current Period 31 December 2019
Asset Purchase and Sale Commitments	6.362.504
Commitments for Credit Card Limits	3.206.861
Commitments for Cheques	20.119
Loan Granting Commitments	578.715
Short Sale Commitments	-
Commitments for Credit Cards and Banking Services Promotions	13.950
Tax and Fund Liabilities from Export Commitments	2.286
Other Irrevocable Commitments	537.029
Total	10.721.464

	Prior Period 31 December 2018
Asset Purchase and Sale Commitments	3.155.182
Commitments for Credit Card Limits	3.398.789
Commitments for Cheques	21.519
Loan Granting Commitments	408.147
Short Sale Commitments	-
Commitments for Credit Cards and Banking Services Promotions	12.995
Tax and Fund Liabilities from Export Commitments	2.286
Other Irrevocable Commitments	565.650
Total	7.564.568

2. Type and Amount of Probable Losses and Obligations Arising from Off-Balance Sheet Items:

The Group has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in “Off-Balance Sheet Commitments”.

2 (i). Non-Cash Loans Including Guarantees, Bank Acceptances, Collaterals and Others That are Accepted as Financial Commitments and Other Letters of Credit:

	Current Period 31 December 2019
Letters of Guarantee	2.867.210
Letters of Credit	1.678.260
Bank Acceptances	1.029
Other Guarantees	218.927
Total	4.765.426

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

	Prior Period 31 December 2018
Letters of Guarantee	1.843.634
Letters of Credit	1.256.433
Bank Acceptances	203.137
Other Guarantees	354.958
Total	3.658.162

2 (ii). Certain Guarantees, Temporary Guarantees, Surety Ships and Similar Transactions:

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

3. Explanations on The Non-Cash Loans:

3 (i). Total Amount of Non-Cash Loans:

	Current Period 31 December 2019
Non-Cash Given for Cash Loan Risks	-
With Original Maturity of One Year or Less	-
With Original Maturity of More than One Year	-
Other Non-Cash Loans	4.765.426
Total	4.765.426

	Prior Period 31 December 2018
Non-Cash Given for Cash Loan Risks	-
With Original Maturity of One Year or Less	-
With Original Maturity of More than One Year	-
Other Non-Cash Loans	3.658.162
Total	3.658.162

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

3 (ii). Information on Sectoral Risk Concentrations of Non-Cash Loans:

	Current Period 31 December 2019			
	TL	(%)	FC	(%)
Agricultural	6.191	0,54	-	-
Farming and Raising Livestock	6.191	0,54	-	-
Forestry	-	-	-	-
Fishing	-	-	-	-
Manufacturing	459.039	39,95	1.430.444	39,55
Mining and Quarrying	16	-	371	0,01
Production	426.010	37,08	1.430.073	39,54
Electric, Gas and Water	33.013	2,87	-	-
Construction	24.619	2,14	893.982	24,72
Services	656.795	57,16	1.291.952	35,73
Wholesale and Retail Trade	300.784	26,17	502.045	13,89
Hotel, Food and Beverage Services	17.061	1,48	14.073	0,39
Transportation and Telecommunication	30.401	2,65	103.069	2,85
Financial Institutions	156.454	13,62	604.675	16,72
Real Estate and Leasing Services	148.089	12,89	46.819	1,29
Self-employment Services	3.866	0,34	6.398	0,18
Education Services	90	0,01	-	-
Health and Social Services	50	-	14.873	0,41
Other	2.404	0,21	-	-
Total	1.149.048	100,00	3.616.378	100,00

	Prior Period 31 December 2018			
	TL	(%)	FC	(%)
Agricultural	-	-	-	-
Farming and Raising Livestock	-	-	-	-
Forestry	-	-	-	-
Fishing	-	-	-	-
Manufacturing	442.571	43,72	1.159.319	43,82
Mining and Quarrying	16	0,00	-	-
Production	416.187	41,11	1.137.423	42,99
Electric, Gas and Water	26.368	2,60	21.896	0,83
Construction	18.986	1,88	507.559	19,18
Services	548.632	54,19	978.843	37,00
Wholesale and Retail Trade	176.746	17,46	355.097	13,42
Hotel, Food and Beverage Services	34.464	3,40	19.547	0,74
Transportation and Telecommunication	20.494	2,02	18.426	0,70
Financial Institutions	201.116	19,86	520.643	19,68
Real Estate and Leasing Services	115.656	11,42	46.222	1,75
Self-employment Services	16	0,00	5.687	0,21
Education Services	90	0,01	-	-
Health and Social Services	50	0,00	13.221	0,50
Other	2.252	0,22	-	-
Total	1.012.441	100,00	2.645.721	100,00

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3 (iii). Information on the Non-Cash Loans Classified Under Group I and Group II:

Current Period	Group I		Group II	
31 December 2019	TL	FC	TL	FC
Non-Cash Loans	1.145.494	3.584.849	1.722	31.529
Letters of Guarantee	1.122.287	1.711.620	1.722	29.749
Bank Acceptances	-	184	-	845
Letters of Credit	23.207	1.654.316	-	737
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	218.729	-	198

Prior Period	Group I		Group II	
31 December 2018	TL	FC	TL	FC
Non-Cash Loans	1.010.352	2.645.721	87	-
Letters of Guarantee	1.002.352	839.193	87	-
Bank Acceptances	-	203.137	-	-
Letters of Credit	8.000	1.248.433	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	354.958	-	-

a. Explanations on Derivative Transactions:

	Current Period
	31 December 2019
Foreign Currency Swap Transactions	55.677.637
Interest Rate Swap Transactions	22.680.016
Foreign Currency Options Transactions	24.201.108
Forward Foreign Currency Transactions (*)	21.031.577
Precious Metals Swap Transactions	-
Precious Metals Options Transactions	1.886.723
Total	125.477.061

(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

	Prior Period
	31 December 2018
Foreign Currency Swap Transactions	35.507.517
Interest Rate Swap Transactions	25.273.234
Foreign Currency Options Transactions	9.817.390
Forward Foreign Currency Transactions (*)	13.691.516
Precious Metals Swap Transactions	44.028
Precious Metals Options Transactions	-
Total	81.675.144

(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

1. Cash Flow Hedging Accounting:

As of 31 December 2019, there are no transactions subject to hedge accounting as a hedging instrument (31 December 2018: None)

b. Explanations on Credit Derivatives and Risk Exposures on Credit Derivatives:

None.

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

c) Explanations on Contingent Liabilities and Assets:

Contingent assets are recognized if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 31 December 2019, there is no contingent asset to be disclosed.

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

The Group has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 31 December 2019, the total amount of these lawsuits filed against the Group; total provision of TL 570 (31 December 2018: TL 1.284) has been made for those lawsuits as the probability of being concluded against the Group is higher than the probability of their concluding in its favor, with TL 36.286 (31 December 2018: TL33.751) being for provisions for refunds related to case document charges.

d) 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 customer.

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a) Information on Interest Income:

1. Information on Interest Income Received from Loans:

	Current Period	
	31 December 2019	
	TL	FC
Interest Income on Loans (*)		
Short-Term Loans	1.468.144	69.487
Medium and Long-Term Loans	360.364	329.704
Interest on Loans Under Follow-Up	22.128	-
Utilization Support Fund	-	-
Total	1.850.636	399.191

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

	Prior Period	
	31 December 2018	
	TL	FC
Interest Income on Loans (*)		
Short-Term Loans	1.554.342	49.974
Medium and Long-Term Loans	416.193	239.855
Interest on Loans Under Follow-Up	24.214	-
Utilization Support Fund	-	-
Total	1.994.749	289.829

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

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2. Information on Interest Income Received from Banks:

	Current Period 31 December 2019	
	TL	FC
From the CBRT (*)	62.788	-
From Domestic Banks	79.200	41
From Foreign Banks	2.547	12.383
Headquarters and Branches Abroad	-	-
Total	144.535	12.424

(*) Interests from Required Reserves amounting to TL 39.186 not included in interest income received from Bank

	Prior Period 31 December 2018	
	TL	FC
From the CBRT (*)	358.625	201
From Domestic Banks	82.551	778
From Foreign Banks	927	7.424
Headquarters and Branches Abroad	-	-
Total	442.103	8.403

(*) Interests from Required Reserves amounting to TL 47.577 not included in interest income received from Bank

3. Information on Interest Income on Marketable Securities:

	Current Period 31 December 2019	
	TL	FC
From Financial Assets at Fair Value Through Profit or Loss	58.366	3.990
From Financial Assets at Fair Value Through Other Comprehensive Income	86.543	-
From Financial Assets Measured at Amortized Cost	-	-
Total	144.909	3.990

	Prior Period 31 December 2018	
	TL	FC
From Financial Assets at Fair Value Through Profit or Loss	16.505	901
From Financial Assets at Fair Value Through Other Comprehensive Income	83.683	-
From Financial Assets Measured at Amortized Cost	-	-
Total	100.188	901

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4. Information on Interest Expense Given to Associates and Subsidiaries:

The Group has no interest expense given on associates and subsidiaries issued as of 31 December 2019 and 31 December 2018.

b) Information on Interest Expense:

1. Information on Interest Expense on Funds Borrowed (*):

	Current Period 31 December 2019	
	TL	FC
Banks		
The CBRT	-	-
Domestic Banks	-	-
Foreign Banks	156.771	99.585
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	156.771	99.585

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

	Prior Period 31 December 2018	
	TL	FC
Banks		
The CBRT	-	-
Domestic Banks	21	1
Foreign Banks	111.988	150.635
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	112.009	150.636

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

1. Information on Interest Expense Paid to Associates and Subsidiaries:

None.

2. Information on Interest Expense Paid on Securities Issued:

The Group has no interest expense paid on securities issued during the period ended on 31 December 2019 and 31 December 2018.

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3. Maturity Structure of the Interest Expense on Deposits:

Current Period: 31 December 2019	Demand Deposit	Time Deposit				More Than 1 year	Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year			
Turkish Lira								
Interbank Deposit	-	19.476	-	-	-	-	-	19.476
Saving Deposit	-	177.143	392.932	60.312	24.282	28.145	-	682.814
Public sector Deposit	-	-	-	-	-	-	-	-
Commercial Deposit	-	366.554	89.630	6.888	12.824	24.027	-	499.923
Other Deposit	-	196	1.282	-	-	-	-	1.478
Deposits with 7 Days Maturity	-	-	-	-	-	-	-	-
Total	-	563.369	483.844	67.200	37.106	52.172	-	1.203.691
Foreign Currency								
Foreign currency Deposit	-	77.072	136.417	12.675	3.567	2.787	-	232.518
Interbank Deposit	-	6.327	-	-	-	-	-	6.327
Deposits with 7 Days Maturity	-	-	-	-	-	-	-	-
Precious Metal Deposit	-	23	1.142	19	52	-	-	1.236
Total	-	83.422	137.559	12.694	3.619	2.787	-	240.081
Grand Total	-	646.791	621.403	79.894	40.725	54.959	-	1.443.772

Prior Period 31 December 2018	Demand Deposit	Time Deposit				More Than 1 year	Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year			
Turkish Lira								
Interbank Deposit	-	14.950	-	-	-	-	-	14.950
Saving Deposit	-	118.365	462.963	68.621	11.737	6.305	-	667.991
Public sector Deposit	-	-	-	-	-	-	-	-
Commercial Deposit	-	165.600	75.188	4.424	2	3.137	-	248.351
Other Deposit	-	39	270	-	-	-	-	309
Deposits with 7 Days Maturity	-	-	-	-	-	-	-	-
Total	-	298.954	538.421	73.045	11.739	9.442	-	931.601
Foreign Currency								
Foreign currency Deposit	-	65.944	182.823	17.876	5.814	1.013	-	273.470
Interbank Deposit	-	41.473	-	-	-	-	-	41.473
Deposits with 7 Days Maturity	-	-	-	-	-	-	-	-
Precious Metal Deposit	-	61	1.175	11	35	-	-	1.282
Total	-	107.478	183.998	17.887	5.849	1.013	-	316.225
Grand Total	-	406.432	722.419	90.932	17.588	10.455	-	1.247.826

4. Information on Interest Given on Repurchase Agreements:

As of 31 December 2019, the Parent Bank has interest given on repurchase agreements amounting to TL 16.930 (31 December 2018: TL 31.667).

5. Information on Financial Lease Expenses:

The financial lease expense of the Group for the periods ended after 31 December 2019 is TL 18.991 (31 December 2018: None).

6. Information on Interest Expenses Given on Factoring Payables:

The Group has no interest given on factoring payables as of 31 December 2019 and 31 December 2018.

c) Explanations on Dividend Income:

As of 31 December 2019, the Group has TL 6.420 in the dividend distribution of its subsidiaries. (31 December 2018: 165).

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

d) Explanations on Trading Income/Loss (Net):

1. Trading Income/Loss (Net):

	Current Period 31 December 2019
Profit	49.218.389
Capital Market Transactions Income	260.887
Gain on Derivative Financial Transactions	6.768.200
Foreign Exchange Gains	42.189.302
Loss (-)	49.308.096
Capital Market Transactions Loss	182.319
Loss on Derivative Financial Transactions	6.499.771
Foreign Exchange Loss	42.626.006
Total (Net)	(89.707)

	Prior Period 31 December 2018
Profit	89.633.449
Capital Market Transactions Income	124.916
Gain on Derivative Financial Transactions	13.438.182
Foreign Exchange Gains	76.070.351
Loss (-)	90.032.393
Capital Market Transactions Loss	132.227
Loss on Derivative Financial Transactions	11.416.720
Foreign Exchange Loss	78.483.446
Total (Net)	(398.944)

e) Explanations on Other Operating Income:

	Current Period 31 December 2019
Reverse of Previous Years Expenses	264.311
Gain on Sale of Assets	1.089
Provision for Telecommunication Expense	3.120
Other Income	35.269
Total	303.789

(*) Includes collections or cancellations made from the amounts transferred to expense accounts from special provision came from special provision in the previous year.

(**) Includes the amount from the sale of non-performing loans amounting to TL 315.087 for TL 32.800

	Prior Period 31 December 2018
Reverse of Previous Years Expenses	207.772
Gain on Sale of Assets	3.836
Provision for Telecommunication Expense	2.160
Other Income	33.230
Total	246.998

(*) Includes collections or cancellations made from the amounts transferred to expense accounts from special provision came from special provision in the previous year.

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

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

	Current Period 31 December 2019
Specific Provisions	346.127
Loans with Limited Collectability	81.387
Loans with Doubtful Collectability	140.087
Uncollectible Loans	124.653
General Provisions	2.286
Marketable Securities Impairment Expense	2.178
Financial Assets at Fair Value Through Profit or Loss	108
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)	-
Total	348.413
	Prior Period 31 December 2018
Specific Provisions	227.928
Loans with Limited Collectability	35.738
Loans with Doubtful Collectability	48.062
Uncollectible Loans	144.128
General Provisions	-
Marketable Securities Impairment Expense	770
Financial Assets at Fair Value Through Profit or Loss	611
Financial Assets at Fair Value Through Other Comprehensive Income	159
Investments in Associates, Subsidiaries and Held-to-Maturity	-
Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Jointly Controlled Entities (Joint Ventures)	-
Total	228.698

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(Continued)**

g) Information Related to Other Operating Expenses:

	Current Period 31 December 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	61.823
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	26.237
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	32
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	241.834
Operational Lease Expenses	16.632
Maintenance Licensing Expenses	49.946
Maintenance Expenses	24.818
Communication Expenses	14.764
Advertisement Expenses	44.775
Other Expenses	90.899
Loss on Sales of Assets	6.986
Tax, Duties, Charges and Funds Expenses	92.040
Saving Deposit Insurance Fund Expenses	42.164
Other (**)	231.554
Total	702.670

(*) Provision of employee termination benefit is disclosed in Profit or Loss Statement under “Personnel Expenses”

(**) Amount of TL 231.554 is closed under “Other”, consists of audit fee amounting to TL 1.118, arbitration committee expenses amounting to TL 892 and remaining TL 229.544 of other expenses

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(Continued)**

	Prior Period 31 December 2018
Personnel Expenses (*)	455.868
Reserve for Employee Termination Benefits (**)	3.870
Bank Social Aid Provision Fund Deficit Provision	-
Impairment Expenses of Property and Equipment	-
Depreciation Expenses of Property and Equipment	22.852
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	21.287
Impairment Expenses on Equity Accounted	-
Impairment Expenses on Assets Held for Sale Investees	-
Depreciation Expenses on Assets Held for Sale	39
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	281.128
Operational Lease Expenses	72.652
Maintenance Licensing Expenses	46.180
Maintenance Expenses	24.092
Communication Expenses	17.439
Advertisement Expenses	20.485
Other Expenses	100.280
Loss on Sales of Assets	8.712
Tax, Duties, Charges and Funds Expenses	54.731
Saving Deposit Insurance Fund Expenses	32.075
Other (***)	193.264
Total	1.073.826

(*) “Personnel Expenses” are also disclosed in “Information related to other operating expenses”, although it is not presented in “Other Operating Expense” in the income statement.

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

(***) Amount of TL 193.264 consists of audit fee amounting to TL 6.718, arbitration committee expenses amounting to TL 18.524 and remaining TL 168.022 of other expenses.

h) Explanation on Income/Loss Before Tax for the Period for Continued and Discontinued Operations:

For the year ended 31 December 2019, the Group's operating income is TL 2.191.808 (31 December 2018: TL 1.759.832). Provision for impairment of loans and other receivables of the Group are in amount of 348.413 TL (31 December 2018: TL 228.698). Other operating expenses are in the amount of TL 702.670 (31 December 2018: TL 614.088) and the income before tax is TL 621.121 (31 December 2018: TL 457.308 profit).

i) Explanation on Tax Provision for Continuing and Discontinued Operations:

As of 31 December 2019, the Group has corporate tax provision expense amounting to TL 106.266 (31 December 2018: TL 16.185 expense) and deferred tax expense amounting to TL 35.983 (31 December 2018: TL 94.475 expense).

j) Explanation on Net Income/Loss for the Period for Continued and Discontinued Operations:

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

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

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

1. Any Further Explanation on Operating Results Needed for a Proper Understanding of the Bank’s Performance:

Net interest income, amounting to TL 1.515.369 (31 December 2018: TL 1.472.567), net wage and commission income amounting to TL 455.937 (31 December 2018: TL 439.046) have an important role among the income items in the accounting period ending on 31 December 2019. 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 31 December 2019
Credit Card Transactions	252.204
Insurance Commissions	38.398
Banking Transactions	12.403
Fund Platform	45.218
Other	86.591
Total	434.814
	Prior Period 31 December 2018
Credit Card Transactions	242.082
Insurance Commissions	44.814
Banking Transactions	38.902
Fund Platform	33.509
Other	84.106
Total	443.413

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

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

1. Decreases/Increases After the Revaluation of Financial Assets at Fair Value Through Other Comprehensive Income:

As of 31 December 2019, increase in investment securities valuation differences balance amounting to TL 26.011 (31 December 2018: TL 46.092 decrease). This amount consists of the interest income of the debt instruments, a type of marketable securities, which is calculated by using effective interest rate method and their fair value difference, the costs of share certificates and their fair value differences and the deferred tax effects of these transactions which cannot be related to profit or loss.

As of 31 December 2019, the decrease of TL 72.103 (31 December 2018: TL 23.470 decrease) arising from re-measuring the investments available for sale at their fair value after netting the deferred tax effect, has been shown as a current period movement in the calculation of the securities value increase fund in the equities difference table.

2. Information on Increases in Cash Flow Hedges:

The information regarding the accounting of cash flow hedges are explained in Note b.1 of Section Three.

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:

In the accounting period ending 31 December 2019, profit amounting to TL 2.695 (31 December 2018: TL 9.282 loss) arising from the revaluation of investments available for sale at their fair values has been transferred from equities to net profit/loss account since the investment available for sale was sold.

2. Information on Cash Flow Hedges:

The information regarding the accounting of cash flow hedges are explained in Note b.1 of Section Three.

c) Explanations on Dividend Distribution:

As of the date of preparation of these financial statements, the annual Ordinary General Assembly Meeting of the Parent Bank has not been held yet.

d) Explanations on Issuance of Common Stock:

The Group has no issuance of common stock as of 31 December 2019 and 31 December 2018.

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

As of 31 December 2019, and 31 December 2018, the adjustments made for prior periods do not have any effect on opening balance sheets of the Group.

f) Offsetting Prior Period's Losses:

As of 31 December 2019, and 31 December 2018, the Group does not have any offset transactions relating to previous year's losses.

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VI. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CASH FLOWS

a) Explanations About Other Cash Flows Items and The Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents:

Operating profit amounting to TL 951.014 (31 December 2018: TL 633.321) consists of interest income amounting to TL 3.282.507 (31 December 2018: TL 2.914.281), interest expense amounting to TL 1.918.988 (31 December 2018: TL 1.410.764), personnel expenses amounting to TL 462.835 (31 December 2018: TL 459.216) and net income other than interest amounting to TL 50.330 (31 December 2018: TL 412.308 income).

Net decrease in other liabilities amounting to TL 246.227 (31 December 2018: TL 115.845 net increase) consists mainly of changes in miscellaneous payables, subordinated debts, other liabilities and taxes and other duties payable.

Effect of change in exchange rate on cash and cash equivalents is calculated approximately TL 4.245 decrease (31 December 2018: TL 1.695 increase) as of 31 December 2019.

b) Information on Cash Flows Arising from Acquisition of Associates, Subsidiaries and Other Investments:

The Group has no cash flow arising from acquisition of associates, subsidiaries and other investments as of 31 December 2019 and 31 December 2018.

c) Information on Disposals of Associates, Subsidiaries or Other Investments:

The Group has no cash flow related to disposals of associates, subsidiaries or other investments as of 31 December 2019 and 31 December 2018.

d) Information on Cash and Cash Equivalents:

Cash flow statement does not include accumulated interest income of cash and cash equivalents. Marketable securities include securities will amortize in three months after their trade date. Banks balance includes cash equivalents in of banks and other financial institutions and CBRT unblocked accounts.

1. Current Period – 31 December 2019

1. (i) Cash and cash equivalents at the beginning of the period:

	Current Period 31 December 2019
Cash	649.779
Interbank Money Market Placements	8.415.487
CBRT, Banks and Other Financial Institutions	4.157.297
Total Cash and Cash Equivalents	13.222.563

1. (ii) Cash and cash equivalents at the end of period:

	Current Period 31 December 2019
Cash	403.574
Interbank Money Market Placements	10.994.329
CBRT, Banks and Other Financial Institutions	476.694
Total Cash and Cash Equivalents	11.874.597

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**VI. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CASH FLOWS
(Continued)**

2. Prior Period – 31 December 2018

2. (i) Cash and cash equivalents at the beginning of the period:

	Prior Period 31 December 2018
Cash	256.474
Interbank Money Market Placements	1.794.965
CBRT, Banks and Other Financial Institutions	2.732.709
Total Cash and Cash Equivalents	4.784.148

2. (ii) Cash and cash equivalents at the end of the period:

	Prior Period 31 December 2018
Cash	649.779
Interbank Money Market Placements	8.415.487
CBRT, Banks and Other Financial Institutions	4.157.297
Total Cash and Cash Equivalents	13.222.563

e) **Additional information:**

None.

VII. EXPLANATIONS AND NOTES RELATED TO THE 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 – 31 December 2019:

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Individuals and Legal Entities in the Risk Group	
	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 Commissions Income	-	-	2.547	915	-	-

Prior Period – 31 December 2018:

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other Receivables						
Opening Balance	-	-	5.338	560.551	-	-
Closing Balance	-	-	15.268	633.491	-	-
Interest and Commissions Income	-	-	895	1.514	-	-

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

2. Deposits Held by the Group’s Risk Group:

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period 31 December 2019	Current Period 31 December 2019	Current Period 31 December 2019
Deposit			
Opening Balance	5.510	92.407	13.244
Closing Balance	2.167	127.787	24.029
Interest expense on deposits	-	-	795

Risk Group of the Group	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)
	Prior Period 31 December 2018	Prior Period 31 December 2018	Prior Period 31 December 2018
Deposit			
Opening Balance	1.437	57.602	11.837
Closing Balance	5.510	92.407	13.244
Interest expense on deposits	-	-	407

**3. Information on Forward Transactions, Option Agreements and Similar Transactions
Between the Group’s Risk Group:**

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period 31 December 2019	Current Period 31 December 2019	Current Period 31 December 2019
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	18.861.471	-
Closing Balance	-	28.671.672	1.342
Total Profit/Loss	-	71.800	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period 31 December 2018	Current Period 31 December 2019	Current Period 31 December 2019
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	60.853.334	-
Closing Balance	-	18.861.471	-
Total Profit/Loss	-	1.871.060	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

**4. Explanations on Total Remuneration and Other Benefits, which are Paid by the Group to
Top Executives of the Group:**

As of 31 December 2019, payment is made to Board of Directors and top executives of the Group amounting to TL 46.685 (31 December 2018: TL 28.971).

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

Information on Domestic and Foreign Branches and Foreign Representatives of the Parent Bank:

	Number	Number of Employees			
Domestic Branch	77	2.063			
			Country of Incorporation		
Foreign Representation Office	-	-	-		
				Total Assets	Statutory Share Capital
Foreign Branch	-	-	-	-	-
Off-shore Banking Region Branches	-	-	-	-	-

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 31 December 2019, consolidated financial statements and explanatory notes of the Group disclosed herein were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and audit report dated 28 February 2019 is presented before to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.