

HSBC BANK A.Ş.

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

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

REPORT ON THE LIMITED REVIEW OF FINANCIAL STATEMENTS

(Convenience translation of publicly announced unconsolidated financial statements and independent auditor’s limited review report originally issued in Turkish, See Note 1. of Section three)

To the General Assembly of HSBC Bank A.Ş.;

Opinion

We have reviewed the unconsolidated balance sheet of HSBC BANK A.Ş (the Bank), which comprise the statement of financial position as at September 30, 2021, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine-month-period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of HSBC Bank A.Ş as at September 30, 2021 and financial performance and unconsolidated its cash flows for the six-month-period 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 November 1, 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.

Scope of Review

Our review was conducted in accordance with Limited Audit Standard (SBDS) 2410 “Review of Interim Financial Information by the Auditor Carrying out the Audit of the Annual Financial Statements of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for finance and accounting matters, and performing analytical and other review procedures. Scope of review of interim financial information; It is significantly narrow compared to the scope of the independent audit, which is performed in accordance with the Independent Auditing Standards and whose purpose is to express an opinion on the financial statements. As a result, a review of interim financial information does not provide an assurance that the firm will be familiar with all significant matters that can be identified in an independent audit. For this reason, we do not express an independent audit opinion.

Conclusion

According to our review, the accompanying interim unconsolidated financial information, the financial position of HSBC Bank Anonim Şirketi as of September 30, 2021 and the financial performance and cash flows for the nine-month period ended on the same date, are in accordance with the BRSA Accounting and Financial Reporting Regulations. Nothing has come to our attention that causes us to believe that it has not been presented fairly, in all material respects.

Report on other regulatory requirements arising from legislation

As a result of our review, we have not come across anything that indicates that the financial information in the interim annual report in the attached seventh section is not consistent, in all material respects, with the reviewed interim unconsolidated financial statements and the information given in the explanatory notes.

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

Damla Harman
Partner, SMMM

November 5, 2021
İstanbul, Türkiye

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

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

Address of Bank's Headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli
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The unconsolidated financial report for the nine-month-period prepared in accordance with Communiqué on the Financial Statements and the Related Disclosures and Footnotes to be Publicly Announced as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

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

Süleyman Selim Kervancı
General
Manager

Burçin Ozan
Financial Reporting
Assistant General
Manager

Yerliozan Kül
Group Head

Robert Adrian Underwood
Member of
Audit Committee

Christopher James Hatton
Member of
Audit Committee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Elburuz İnceman/Senior Manager
Tel : (0212) 336 2708
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2021

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2021

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

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

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board:	Paul Joseph LAWRENCE ^(*)	Chairman	Undergraduate
Vice President of the Executive Board:	Didem ÇERÇİ	Deputy Chairman	Undergraduate
Board of Directors:	Süleyman Selim KERVANCI Robert Adrian UNDERWOOD Ayşe Ebru DORMAN Edward Michael FLANDERS Cristhopher James HATTON	Member, CEO Member Member Member Member	Graduate Undergraduate Graduate Undergraduate Graduate
CEO:	Süleyman Selim KERVANCI	CEO	Graduate
Head of Internal Audit:	Ercan OĞUL	Head of Internal Audit	Graduate
Deputy CEO:	Burçin OZAN ^(**)	Finance	Undergraduate
Executive Vice Presidents:	Anthony WRIGHT Ayşe YENEL Burçin OZAN Funda TEMOÇİN İbrahim Namık AKSEL Tolga TÜZÜNER Dilek Güleç SALZBURG Caner İŞLAK	Credit and Risk Retail Banking Finance Human Resources Treasury and Capital Markets Head of Legal Advisor Global Banking Corporate Banking	Graduate Undergraduate Undergraduate Undergraduate Graduate Graduate Undergraduate Graduate
Audit Committee:	Didem ÇERÇİ Robert Adrian UNDERWOOD Christopher James HATTON	Head of the Audit Committee Member of the Audit Committee Member of the Audit Committee	Undergraduate Graduate Graduate

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

^(*) Paul Joseph Lawrence has been appointed Chairman of the Board as of October 20, 2021, replacing David Gordon Eldon.

^(**) Burçin Ozan has been appointed as the Deputy General Manager as of August 22, 2021.

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2021

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

IV. INFORMATION ON INDIVIDUALS OR INSTITUTIONS OWNING THE PREFERRED SHARES OF THE 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 BANK'S ACTIVITIES AND SERVICES

The Bank's activities in accordance with related regulations and the articles of association of the 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 Türkiye Sigorta, Axa Sigorta, Zurich Sigorta, Allianz Hayat ve Emeklilik, Allianz Sigorta, Gulf Sigorta, Euler Hermes and Anadolu Hayat Emeklilik, and Marsh Sigorta ve Reasürans Broker through its branches and investment intermediary services, also undertaking the role of steering customers for portfolio sharing as an agent for transmitting orders of HSBC Yatırım.

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

As of September 30, 2021, the number of employees of the Bank is 1.892 (December 31, 2020: 1.948).

VI. OTHER MATTERS

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

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

VIII. 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

UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

HSBC BANK A.Ş.

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

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

**SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	Note (Section Five I)	Reviewed Current Period			Audited Prior Period		
		(30.09.2021)			(31.12.2020)		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. FINANCIAL ASSETS (NET)		7.377.782	23.326.734	30.704.516	7.983.669	9.853.168	17.836.837
1.1 Cash and Cash Equivalents		2.919.069	21.677.862	24.596.931	2.375.778	8.075.944	10.451.722
1.1.1 Cash and Balances with Central Bank	(I-a)	961.059	6.207.426	7.168.485	196.186	6.896.097	7.092.283
1.1.2 Banks	(I-c)	4	1.050.738	1.050.742	-	27.102	27.102
1.1.3 Money Market Placements		1.960.985	14.419.698	16.380.683	2.182.029	1.152.745	3.334.774
1.1.4 Expected Loss Provision (-)		2.979	-	2.979	2.437	-	2.437
1.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	835.379	41.875	877.254	184.042	165.340	349.382
1.2.1 Government Debt Securities		831.154	41.875	873.029	179.817	165.340	345.157
1.2.2 Equity Instruments		4.225	-	4.225	4.225	-	4.225
1.2.3 Other Financial Assets		-	-	-	-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-d)	3.484.324	-	3.484.324	5.014.925	-	5.014.925
1.3.1 Government Debt Securities		3.484.324	-	3.484.324	5.014.925	-	5.014.925
1.3.2 Equity Instruments		-	-	-	-	-	-
1.3.3 Other Financial Assets		-	-	-	-	-	-
1.4 Derivative Financial Assets	(I-b)	139.010	1.606.997	1.746.007	408.924	1.611.884	2.020.808
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		139.010	1.606.997	1.746.007	408.924	1.611.884	2.020.808
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		7.619.161	13.913.727	21.532.888	9.342.626	15.377.469	24.720.095
2.1 Loans	(I-e)	8.950.110	13.913.727	22.863.837	10.891.299	15.377.469	26.268.768
2.2 Lease Receivables	(I-j)	-	-	-	-	-	-
2.3 Factoring Receivables		149.529	-	149.529	59.847	-	59.847
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 (-)		1.480.478	-	1.480.478	1.608.520	-	1.608.520
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(I-p)	559	-	559	1.221	-	1.221
3.1 Held for Sale Purpose		559	-	559	1.221	-	1.221
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		34.973	-	34.973	34.973	-	34.973
4.1 Investments in Associates (Net)	(I-g)	-	-	-	-	-	-
4.1.1 Accounted Under Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(I-h)	34.973	-	34.973	34.973	-	34.973
4.2.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753	34.753	-	34.753
4.2.2 Unconsolidated Non-Financial Subsidiaries		220	-	220	220	-	220
4.3 Entities under Common Control (Joint Venture) (Net)	(I-i)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	(I-l)	190.122	-	190.122	220.567	-	220.567
VI. INTANGIBLE ASSETS (Net)	(I-m)	202.511	-	202.511	181.703	-	181.703
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		202.511	-	202.511	181.703	-	181.703
VII. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	(I-o)	273.399	-	273.399	256.259	-	256.259
X. OTHER ASSETS	(I-r)	347.439	33.223	380.662	177.259	52.854	230.113
TOTAL ASSETS		16.045.946	37.273.684	53.319.630	18.198.277	25.283.491	43.481.768

The accompanying explanations and notes set out on pages 13 to 80 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

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

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

I. BALANCE SHEET	Note (Section Five II)	Reviewed Current Period			Audited Prior Period		
		(30.09.2021)			(31.12.2020)		
		TL	FC	Total	TL	FC	Total
LIABILITIES							
I. DEPOSITS	(II-a)	12.214.563	30.651.206	42.865.769	8.577.632	22.412.626	30.990.258
II. FUNDS BORROWED	(II-d)	-	1.376.946	1.376.946	-	1.931.228	1.931.228
III. MONEY MARKET BALANCES	(II-c)	-	-	-	1.242.251	-	1.242.251
IV. MARKETABLE SECURITIES ISSUED (Net)		598.270	-	598.270	951.920	-	951.920
4.1 Bills		598.270	-	598.270	951.920	-	951.920
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. BORROWER FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(II-b)	104.516	1.500.536	1.605.052	374.618	1.508.553	1.883.171
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		104.516	1.500.536	1.605.052	374.618	1.508.553	1.883.171
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(II-f)	99.713	1.890	101.603	99.433	3.409	102.842
X. PROVISIONS	(II-h)	182.062	1.909	183.971	179.980	1.633	181.613
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		67.663	-	67.663	71.558	-	71.558
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		114.399	1.909	116.308	108.422	1.633	110.055
XI. CURRENT TAX LIABILITY	(II-i)	86.558	-	86.558	117.156	-	117.156
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)	-	1.351.992	1.351.992	-	1.652.797	1.652.797
14.1 Loans		-	1.351.992	1.351.992	-	1.652.797	1.652.797
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES	(II-e)	715.067	478.353	1.193.420	660.084	271.059	931.143
XVI. SHAREHOLDERS' EQUITY	(II-l)	3.956.049	-	3.956.049	3.497.389	-	3.497.389
16.1 Paid-in capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		310.888	-	310.888	272.693	-	272.693
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		310.888	-	310.888	272.693	-	272.693
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(10.437)	-	(10.437)	(20.479)	-	(20.479)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(78.504)	-	(78.504)	9.735	-	9.735
16.5 Profit Reserves		2.544.955	-	2.544.955	2.152.696	-	2.152.696
16.5.1 Legal Reserves		184.141	-	184.141	184.141	-	184.141
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		2.360.814	-	2.360.814	1.968.555	-	1.968.555
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit Or Loss		536.857	-	536.857	430.454	-	430.454
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		536.857	-	536.857	430.454	-	430.454
16.7 Minority Interest		-	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		17.956.798	35.362.832	53.319.630	15.700.463	27.781.305	43.481.768

The accompanying explanations and notes set out on pages 13 to 80 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF SEPTEMBER 30, 2021 AND DECEMBER 31, 2020**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed Current Period (30.09.2021)			Audited Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		33.267.835	111.920.865	145.188.700	31.467.663	120.835.229	152.302.891
I. GUARANTEES AND COLLATERALS	(III-a-2,3)	1.334.607	7.854.420	9.189.027	1.290.636	4.989.254	6.279.890
1.1 Letters of Guarantee		1.304.607	4.016.074	5.320.681	1.265.636	2.782.436	4.048.072
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		1.304.607	4.016.074	5.320.681	1.265.636	2.782.436	4.048.072
1.2 Bank Acceptances		-	1.181	1.181	-	412	412
1.2.1 Import Letter of Acceptance		-	1.181	1.181	-	412	412
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		30.000	3.598.784	3.628.784	25.000	2.002.452	2.027.452
1.3.1 Documentary Letters of Credit		30.000	2.052.318	2.082.318	25.000	1.151.801	1.176.801
1.3.2 Other Letters of Credit		-	1.546.466	1.546.466	-	850.651	850.651
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	238.381	238.381	-	203.954	203.954
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a-1)	5.926.406	6.608.824	12.535.230	6.589.498	12.199.301	18.788.799
2.1 Irrevocable Commitments		5.926.406	6.608.824	12.535.230	6.589.498	12.199.301	18.788.799
2.1.1 Forward Asset Purchase and Sale Commitments		1.683.319	6.608.020	8.291.339	2.515.099	12.198.628	14.713.727
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		240.191	-	240.191	188.459	-	188.459
2.1.5 Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Payment Commitment for Checks		14.766	-	14.766	15.531	-	15.531
2.1.8 Tax and Fund Liabilities from Export Commitments		2.286	-	2.286	2.286	-	2.286
2.1.9 Commitments for Credit Card Expenditure Limits		3.422.547	-	3.422.547	3.308.035	-	3.308.035
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		21.127	-	21.127	18.102	-	18.102
2.1.11 Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		542.170	804	542.974	541.986	673	542.659
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	26.006.822	97.457.621	123.464.443	23.587.528	103.646.674	127.234.202
3.1 Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1 Fair Value Hedge		-	-	-	-	-	-
3.1.2 Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2 Held for Trading Transactions		26.006.822	97.457.621	123.464.443	23.587.528	103.646.674	127.234.202
3.2.1 Forward Foreign Currency Buy/Sell Transactions		6.770.949	12.422.436	19.193.385	5.620.930	8.754.954	14.375.884
3.2.1.1 Forward Foreign Currency Transactions-Buy		5.738.227	3.968.968	9.707.195	3.745.276	3.555.430	7.300.706
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.032.722	8.453.468	9.486.190	1.875.654	5.199.524	7.075.178
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		12.971.635	71.721.138	84.692.773	9.480.573	79.283.673	88.764.245
3.2.2.1 Foreign Currency Swap-Buy		3.880.681	25.643.492	29.524.173	2.600.667	28.493.327	31.093.994
3.2.2.2 Foreign Currency Swap-Sell		7.290.954	25.621.014	32.911.968	6.879.905	27.708.756	34.588.661
3.2.2.3 Interest Rate Swap-Buy		900.000	10.228.316	11.128.316	-	11.540.795	11.540.795
3.2.2.4 Interest Rate Swap-Sell		900.000	10.228.316	11.128.316	-	11.540.795	11.540.795
3.2.3 Foreign Currency, Interest Rate, and Securities Options		6.264.238	9.077.622	15.341.860	8.486.026	10.552.554	19.038.580
3.2.3.1 Foreign Currency Options-Buy		3.132.119	4.538.811	7.670.930	4.243.013	5.276.277	9.519.290
3.2.3.2 Foreign Currency Options-Sell		3.132.119	4.538.811	7.670.930	4.243.013	5.276.277	9.519.290
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	4.236.425	4.236.425	-	5.055.493	5.055.493
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		162.905.814	66.495.260	229.401.074	122.321.418	42.615.226	164.936.644
IV. ITEMS HELD IN CUSTODY		94.692.226	26.690.892	121.383.118	54.244.373	8.122.872	62.367.245
4.1 Customers' Securities Held		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		92.739.499	18.173.998	110.913.497	52.245.793	1.058.659	53.304.452
4.3 Checks Received for Collection		8.070	176.269	184.339	25.701	130.671	156.372
4.4 Commercial Notes Received for Collection		206.663	24.390	231.053	121.941	25.484	147.425
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1.737.994	8.316.235	10.054.229	1.850.938	6.908.058	8.758.996
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES ITEMS		65.537.324	21.409.927	86.947.251	65.783.256	21.641.484	87.424.740
5.1 Marketable Securities		72.204	1.316.418	1.388.622	27.146	1.103.651	1.130.797
5.2 Guarantee Notes		32.777	531.010	563.787	32.842	448.710	481.552
5.3 Commodity		600.784	169.384	770.168	571.021	983.044	1.554.065
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		2.916.781	8.591.393	11.508.174	3.240.747	9.834.339	13.075.086
5.6 Other Pledged Items		61.914.778	10.801.722	72.716.500	61.911.500	9.271.740	71.183.240
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS		2.676.264	18.394.441	21.070.705	2.293.789	12.850.870	15.144.659
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		196.173.649	178.416.125	374.589.774	153.789.080	163.450.455	317.239.535

The accompanying explanations and notes set out on pages 13 to 80 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD
ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**

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

III. STATEMENT OF PROFIT OR LOSS		Note (Section Five IV)	Reviewed			
			Reviewed Current Period (01.01.2021 – 30.09.2021)	Reviewed Current Period (01.04.2021 – 30.09.2021)	Reviewed Prior Period (01.01.2020 – 30.09.2020)	Reviewed Prior Period (01.04.2020 – 30.09.2020)
INCOME AND EXPENSE ITEMS						
I.	INTEREST INCOME	(IV-a)	2.614.854	872.567	1.633.439	614.349
1.1	Interest on Loans	(IV-a-1)	1.644.540	544.159	1.193.952	434.978
1.2	Interest Received from Reserve Deposits		60.772	26.287	1.009	1.009
1.3	Interest Received from Banks	(IV-a-2)	154.089	69.704	31.958	8.879
1.4	Interest Received from Money Market Transactions		185.819	35.867	103.153	6.754
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	559.250	189.075	300.854	162.113
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		84.264	39.111	38.484	6.320
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		474.986	149.964	262.370	155.793
1.5.3	Financial Assets at Measured at Amortized Cost		-	-	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		10.384	7.475	2.513	616
II.	INTEREST EXPENSE (-)	(IV-b)	1.509.634	547.074	728.311	296.409
2.1	Interest on Deposits	(IV-b-4)	1.221.844	470.256	462.426	147.560
2.2	Interest on Funds Borrowed	(IV-b-1)	90.417	29.309	88.652	42.604
2.3	Interest on Money Market Transactions		31.286	6	118.787	83.176
2.4	Interest on Securities Issued	(IV-b-3)	150.425	44.078	-	-
2.5	Interest on Lease Payables		13.745	2.708	12.779	4.593
2.6	Other Interest Expenses		1.917	717	45.667	18.476
III.	NET INTEREST INCOME/EXPENSE (I - II)		1.105.220	325.493	905.128	317.940
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		311.726	121.933	250.005	83.379
4.1	Fees and Commissions Received		357.959	138.693	286.118	95.703
4.1.1	Non-Cash Loans		89.610	34.328	65.365	25.865
4.1.2	Other	(IV-l)	268.349	104.365	220.753	69.838
4.2	Fees and Commissions Paid (-)		46.233	16.760	36.113	12.324
4.2.1	Non-Cash Loans		582	194	590	195
4.2.2	Other		45.651	16.566	35.523	12.129
V.	DIVIDEND INCOME	(IV-c)	32.843	-	25.196	-
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	292.449	100.795	431.166	137.072
7.1	Trading Gains/(Losses) on Securities		23.878	18.431	121.012	36.661
7.2	Derivative Financial Transactions Gains/(Losses)		336.640	(19.502)	888.852	326.679
7.3	Foreign Exchange Gains/(Losses)		(68.069)	101.866	(578.698)	(226.268)
VII.	OTHER OPERATING INCOME	(IV-e)	156.731	29.478	190.845	50.543
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.898.969	577.699	1.802.340	588.934
IX.	PROVISION FOR LOAN LOSSES (-)	(IV-f)	61.988	11.487	403.889	114.097
X.	OTHER PROVISION EXPENSES (-)		23.365	14.475	2.990	(955)
XI.	PERSONNEL EXPENSES (-)		444.840	147.128	370.905	122.690
XII.	OTHER OPERATING EXPENSES (-)	(IV-g)	673.815	217.448	676.265	186.721
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		694.961	187.161	348.291	166.381
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XVI.	INCOME/ (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)		694.961	187.161	348.291	166.381
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-i)	(158.104)	(54.485)	(93.350)	(29.699)
18.1	Current Tax Provision		(179.739)	(40.877)	(123.987)	2.836
18.2	Deferred Tax Income Effect (+)		-	-	-	-
18.3	Deferred Tax Expense Effect (-)		21.635	(13.608)	30.637	(32.535)
XIX.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)	(IV-j)	536.857	132.676	254.941	136.682
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1	Income from Non-Current Assets Held for Resale		-	-	-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
20.3	Other Income From Discontinued Operations		-	-	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Expenses for Non-Current Assets Held for Resale		-	-	-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
21.3	Other Expenses From Discontinued Operations		-	-	-	-
XXII.	PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-	-	-
XXIII.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1	Current Tax Provision		-	-	-	-
23.2	Deferred Tax Income Effect (+)		-	-	-	-
23.3	Deferred Tax Expense Effect (-)		-	-	-	-
XXIV.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV.	NET PROFIT/LOSSES (XIX+ XXIV)		-	-	-	-
	Earnings/Loss per Share	(IV-k)	536.857	132.676	254.941	136.682
			0,008230	0,002030	0,003908	0,002095

The accompanying explanations and notes set out on pages 13 to 80 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AS OF SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Reviewed Current Period (30.09.2021)	Reviewed Prior Period (30.09.2020)
I. CURRENT PERIOD INCOME/LOSS	536.857	254.941
II. OTHER COMPREHENSIVE INCOME	(78.197)	(14.394)
2.1 Not Reclassified Through Profit or Loss	10.042	7.537
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	12.781	9.505
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(2.739)	(1.968)
2.2 Reclassified Through Profit or Loss	(88.239)	(21.931)
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(106.901)	(29.234)
2.2.3 Cash Flow Hedge Income/Loss	-	(498)
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	18.662	7.801
III. TOTAL COMPREHENSIVE INCOME (I+II)	458.660	240.547

The accompanying explanations and notes set out on pages 13 to 80 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																
						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							
Reviewed Prior Period September 30, 2020	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Total Equity
I. Balances at the Beginning of the Period - December 31, 2019		652.290	-	-	272.693	-	(24.410)	-	-	26.011	388	1.682.765	-	469.931	3.079.668	3.079.668
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I-II)		652.290	-	-	272.693	-	(24.410)	-	-	26.011	388	1.682.765	-	469.931	3.079.668	3.079.668
IV. Total Comprehensive Income		-	-	-	-	-	7.537	-	-	(21.543)	(388)	-	-	254.941	240.547	240.547
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		-	-	-	-	-	-	-	-	-	-	469.931	-	(469.931)	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	469.931	-	(469.931)	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		652.290	-	-	272.693	-	(16.873)	-	-	4.468	-	2.152.696	-	254.941	3.320.215	3.320.215

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

The accompanying explanations and notes set out on pages 13 to 80 form an integral part of these financial statements.

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UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2021

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																
						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							
Reviewed Current Period September 30, 2021	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Total Equity
I. Balances at the Beginning of the Period - December 31, 2020		652.290	-	-	272.693	-	(20.479)	-	-	9.735	-	2.152.696	-	430.454	3.497.389	3.497.389
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		652.290	-	-	272.693	-	(20.479)	-	-	9.735	-	2.152.696	-	430.454	3.497.389	3.497.389
IV. Total Comprehensive Income		-	-	-	-	-	10.042	-	-	(88.239)	-	-	-	536.857	458.660	458.660
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		-	-	-	38.195	-	-	-	-	-	-	392.259	-	(430.454)	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	430.454	-	(430.454)	-	-
11.3 Other		-	-	-	38.195	-	-	-	-	-	-	(38.195)	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		652.290	-	-	310.888	-	(10.437)	-	-	(78.504)	-	2.544.955	-	536.857	3.956.049	3.956.049

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

The accompanying explanations and notes set out on pages 13 to 86 form an integral part of these financial statements

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UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020

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

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Reviewed Current Period (30.09.2021)	Reviewed Prior Period (30.09.2020)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(VI-a)	836.684	1.048.869
1.1.1 Interest Received	(VI-a)	2.689.459	1.670.650
1.1.2 Interest Paid	(VI-a)	(1.365.475)	(749.153)
1.1.3 Dividend Received		19	-
1.1.4 Fees and Commissions Received		355.062	258.370
1.1.5 Other Income		115.514	71.911
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		51.179	72.921
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(489.392)	(371.365)
1.1.8 Taxes Paid		(140.502)	(122.589)
1.1.9 Other		(379.180)	218.124
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations		11.770.707	1.664.425
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(515.743)	131.471
1.2.2 Net Decrease in Due From Banks		(1.809.143)	(859.635)
1.2.3 Net (Increase) in Loans		3.174.122	(10.133.071)
1.2.4 Net (Increase) in Other Assets		70.513	(225.146)
1.2.5 Net Increase in Bank Deposits		(218.155)	324.932
1.2.6 Net Increase/(Decrease) in Other Deposits		12.027.119	3.738.614
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net (Decrease) in Funds Borrowed		283.679	3.334.548
1.2.9 Net Increase/(Decrease) in Matured Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(1.241.685)	5.352.712
I. Net Cash Provided From Banking Operations		12.607.391	2.713.294
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From Investing Activities		1.364.733	(6.123.357)
2.1 Cash Paid for the Purchase of Associates, Subsidiaries and Joint Ventures		-	-
2.2 Cash Obtained from the Sale of Associates, Subsidiaries and Joint Ventures		-	-
2.3 Cash Paid for the Purchase of Tangible and Intangible Asset		(14.527)	(58.020)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		29.834	-
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(553.741)	(6.639.627)
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		1.968.814	613.375
2.7 Cash Paid for Purchase of Financial Assets at Amortized Cost		-	-
2.8 Cash Obtained From Sale of Financial Assets at Amortized Cost		-	-
2.9 Other		(65.647)	(39.085)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From Financing Activities		(1.635.007)	(44.494)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		3.847.463	-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		(5.465.027)	-
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Lease Liabilities		(17.443)	(44.494)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(VI-a)	(1.052)	12.853
V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		12.336.065	(3.441.704)
VI. Cash and Cash Equivalents at Beginning of the Period	(VI-d)	6.921.426	11.880.540
VII. Cash and Cash Equivalents at End of the Period	(VI-d)	19.257.491	8.438.836

The accompanying explanations and notes set out on pages 13 to 80 form an integral part of these financial statements.

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

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

b. Accounting policies and valuation principles applied in the presentation of 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, 2020 except new regulations specified in Notes VIII.

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

The coronavirus epidemic which emerged in the first half of 2020 and has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures have been taken in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

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I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

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

Changes in Accounting policies and disclosures

The amendments to TAS/TFRS, effective from 1 January 2021, do not have a significant impact on the Bank's accounting policies, financial position and performance. The amendments to TAS and TFRS, which have been published but not yet entered into force as of the finalization date of the financial statements, will not have a significant impact on the Bank's accounting policies, financial position and performance.

Within the scope of the Major Benchmark Interest Rates Reform, in 2021, alternative interest rates to be accepted have started to be used instead of the current benchmark interest rates, especially Libor. In the financial statements of the Bank, there are liabilities such as borrowings and derivative transactions and off-balance sheet instruments, in addition to variable interest assets such as securities and loans indexed to benchmark interest rates. As of September 30, 2021, the changes brought by the reform did not have a significant impact on the Bank's financial statements.

Explanation for convenience translation into English:

The differences between accounting principles and standards set out by regulations inconformity with BRSA Accounting and Reporting Legislation, account principles, generally accepted in countries in which the complying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated 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 Bank are customer deposits and borrowings from abroad. The Bank's liquidity structure covers the financing of all liabilities at due date. This liquidity structure of the Bank has been established by diversifying fund resources and keeping sufficient cash and cash equivalences.

The Bank 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 value adding decisions are made. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing. Gains and losses arising from such valuations are recognized in the income statement under the account of “Foreign exchange gains or losses”, except for foreign currency, non-performing loans and other foreign currency denominated non-monetary assets and liabilities.

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III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Bank has no investments in associates as of September 30, 2021. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard for Individual Financial Instruments” (“TAS 27”) in the unconsolidated 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 Bank is HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. (HSBC Ödeme Sistemleri). HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on December 10, 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide hospitality, catering and private waiting room. As of October 17, 2019, dischargement process of HSBC Ödeme has started.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

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VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

Classification and measurement of financial instruments

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the 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 Bank consider:

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

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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.

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

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

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

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

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

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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 September 30, 2021 and December 31, 2020, the Bank 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".

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

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES

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

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

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 8948 dated March 17, 2020, in order to continue economic and commercial activities in a healthy way resulting from the Covid-19 outbreak, the 90 days default period for loans to be classified as non-performing loans shall be applied as 180 days according to assembly's resolution dated on June 17, 2020. This measure will be effective until September 30, 2021. In this context;

- Loans receivables that cannot be collected for up to 90 days are classified in the stage 1 and the 90 days default period for loans to be classified as non performing loans (NPL) up to 180 days. The application has no significant impact on the Bank's financial statements.

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

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

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

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

Stage 1:

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

Stage 2:

In the event of a significant increase in credit risk since initial recognition, in case of a 30-day delay in loan repayments and/or being placed on close watch lists, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses.

Stage 3:

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

Calculation of expected credit losses

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

While the expected credit loss is estimated, three macroeconomic scenarios (baseline scenario, adverse scenario, optimistic scenario) are evaluated. Due to the COVID-19 epidemic, an additional alternative pessimistic negative scenario was started to be used by including the optimistic scenario weight in the base scenario as of the 2nd quarter of 2020. Each of these scenarios was associated with the different PD and LGD.

In addition, a certain portion of classifying non-performing loans and restructuring 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 financial instrument to its present value using the effective interest rate. When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit losses which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

Probability of Default (PD)

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime (term of loan) PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs. The PD model calculates the PD value over the Life Cycle (TTC) with customer rating grades, and the Point in Time (PIT) PD value is reached with the macroeconomic models designed by the Bank.

Theoretical models are used to determine the internal values of the commercial and corporate portfolios. The internal rating models include customer financial information and non-financial information. Whereas behavioral and application scorecards used in the individual 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. Forward-looking expectations in personal loans are managed with a judicial method.

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Loss Given Default (LGD)

The LGD represents an estimate of the loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money. While calculating the time value of money, the weighted average interest rate of the performing loan portfolio at the relevant moment is taken into account as the effective interest rate. The LGD assignment for Corporate and Commercial loans is based on a simplified approach, including macroeconomic cyclical and future economic expectations, including macroeconomic expectations input and loan maturities, made on the developed model.

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

Exposure at Default (EAD)

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios. EAD of all loans in our bank's corporate and commercial loans portfolio is calculated by considering cash and non-cash loans over the loan conversion rates determined in the legislation. Cash flows are not taken into account throughout the life cycle of the loan, and the default amount is assumed to remain constant. With this approach, more prudent results can be produced and risk-increasing factors such as non-payment and partial payment that may occur in cash flows are prevented.

Consideration of the Macroeconomic Factors

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

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

As of September 30, 2021, the Bank calculated the expected credit loss by taking into macroeconomic forecasts for the future, as well as statistical models designed to comply with relevant legislation and accounting standards. In this context, COVID-19 outbreak to the estimates and judgments used in the calculation of expected credit losses by using the data that is received with the maximum effort with the best estimation method. Within the light of the aforementioned data, the Parent Bank has developed an alternative pessimistic situation scenario in addition to the base, optimistic and pessimistic macroeconomic expectations used in the calculation of expected credit loss and revised the scenario weights within this scope. In this context the Bank reflected the annual change rate in housing prices and short-term foreign debt change in USD in order to determine the PD and LGD. Due to the occurrence of unexpected events that are not taken into account by the models due to their nature and/or the collaterals are not taken into account in the LGD model, the Bank has established higher/lower provisions in addition to the provisions it has established in the corporate/commercial portfolio. This approach, which has been implemented since the second quarter of 2020, will continue in 2021 and will be reviewed regularly in the following reporting periods, taking into account the effect of the pandemic, the status of the current portfolio and future expectations.

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Calculating the Expected Loss Period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the 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 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 Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Quantitative assessments compare the relative change between the probability of default (PD) measured at the loan origination date and the PD measured at the report date. If this change exceeds the thresholds for a significant increase in credit risk, the financial asset is classified as Stage 2. In the quantitative evaluation of the significant increase in credit risk, the Parent Bank considers absolute threshold values as an additional layer in addition to relative threshold values. Receivables whose default probability is below the absolute threshold value are not included in the relative threshold value comparison.

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

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

In accordance with the BRSA’s decision dated March 27, 2020 no. 8970, as a result of the COVID-19 epidemic, in order to ensure a healthy continuation of economic and commercial activities, according to the forth article of the “Regulation on Classification of Loans and Procedures and Principles for provisions to be Allocated for them”, the loans overdue as 30 days are classified in the Stage 2 will be applied as 90 days until September 30, 2021 and provisions for the loans that continue to be classified as Stage 1 up to 90 days. The banks will continue according to their own risk models used in calculating expected credit losses under TFRS 9.

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

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

e) Restructuring and refinancing of financial instruments

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

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

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IX. DERECOGNITION OF FINANCIAL INSTRUMENTS (Continued)

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

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

In the case of Personal Loans, if the non-fulfillment of the payment obligation to the 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 Bank. Removal of customers from the scope of restructuring is done within the scope of the Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables.

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

X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES

None.

XI. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank 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 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 September 30, 2021 and December 31, 2020, the Bank has no discontinued operations.

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XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

As of September 30, 2021, there is no net book value of goodwill (December 31, 2020: None).

XV. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

XVI. EXPLANATIONS ON LEASING TRANSACTIONS

The Bank 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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XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

Explanations on TFRS 16 Leasing Transactions:

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

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

Right of use assets

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

The right use includes the presence of:

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

At the end of the lease term of the underlying asset's service, the transfer of the Bank is reasonably finalized, and the Bank 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 Bank 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 Bank under the residual value commitments
- The use price of this option and, if the Bank is reasonably confident that it will use the purchase option
- Fines for termination of the lease if the lease term indicates that the Bank 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 Bank 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 Bank's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Bank 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.

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**XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)
Short-term leases and leases of low-value assets**

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

Due to the Bank’s implementation of TFRS 16, assets classified under tangible assets as of September 30, 2021 amounted to TL 172.584 (December 31, 2020: TL 181.341), lease liability amounted to TL 101.603 (December 31, 2020: TL 102.842), depreciation expense amounted to TL 29.992 (September 30, 2020: TL 30.247) and interest expense amounted to TL 13.745 (September 30, 2020: TL 12.779).

XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions and contingent liabilities are accounted in accordance with, “Provisions, Contingent Liabilities and Contingent Assets Standard” (“TAS 37”). Provisions are recognised when the Bank 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 Bank, 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 Bank. 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 Bank 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 Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The 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 7,77% (December 31, 2020: 3,82%).

As of September 30, 2021, actuarial loss amounted to TL 10.437 (December 31, 2020: TL 20.479 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.

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XX. EXPLANATIONS ON TAXATION

a. Current Tax:

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

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

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 last day of the fourth month after the closing of the accounting year to which they relate.

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

b. Deferred Tax Asset/Liability:

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

The Bank has calculated its deferred tax assets or liabilities over 20% as of 31 December 2020 within the scope of TAS 12. In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, the corporate tax rate has been increased to 25% for the taxation period of 2021, starting from the declarations that must be submitted as of July 1, 2021 and being valid for the taxation period starting from January 1, 2021. This rate will be applied as 23% for the taxation period of 2022 and 20% for the taxation period after 2022. As of September 30, 2021, the Bank evaluated its assets and liabilities according to their maturities and calculated deferred tax at the rate of 25%, 23% or 20% corresponding to the relevant maturities.

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XX. EXPLANATIONS ON TAXATION (Continued)

b. Deferred Tax Asset/Liability (Continued)

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements. After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. As of September 30, 2021, the Bank has recognized deferred tax receivables amounting to TL 273.399 as assets (December 31, 2020: Deferred tax receivables amounting to TL TL 256.259 as assets).

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

c. Transfer Pricing:

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

XXI. EXPLANATIONS ON BORROWINGS

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

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of September 30, 2021 and December 31, 2020, the Bank has no government incentives.

XXV. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

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XXVI. 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.

XXVII. EARNINGS/LOSS PER SHARE

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

	Current Period September 30, 2021	Prior Period September 30, 2020
Net Earnings/(Loss)for the Period	536.857	254.941
Number of Shares	65.229.000.000	65.229.000.000
Earnings/(Loss) per Share (*)	0,008230	0,003908

(*) Amounts are expressed in full TL.

XXVI. CASH AND CASH EQUIVALENTS

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

XXIX. RELATED PARTIES

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

XXX. RECLASSIFICATIONS

None.

XXXI. OTHER MATTERS

None.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY

Equity and Capital Adequacy Standard Ratio of the Bank is calculated in accordance with “Communiqué on Measurement and Assessment of Capital Adequacy of Banks”, and “Communiqué on Equities of Banks”. As of September 30, 2021, equity of the Bank is amounting to TL 5.559.875 and the Bank’s capital adequacy ratio is 17,81%. As of December 31, 2020, equity of the Bank is amounting to TL 5.123.764 and the Banks’s capital adequacy ratio is 16,87%. Capital adequacy ratio of the Bank is higher than the minimum rate required by the related regulation.

a. Information about shareholders’ equity items:

	Current Period September 30, 2021	Prior Period December 31, 2020
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	652.290
Share Premium	-	-
Reserves	2.855.843	2.425.389
Other Comprehensive Income according to TAS	-	9.735
Profit	536.857	430.454
Current Period Profit	536.857	430.454
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	4.044.990	3.517.868
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	88.941	20.479
Leasehold Improvements on Operational Leases	25.388	30.488
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	202.511	181.703
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier I Capital according to second paragraph of the provisional article 2 in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued common share capital of the entity	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	-
Total Deductions from Common Equity Tier I Capital	316.840	232.670
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	202.286	303.430
Total Common Equity Tier I Capital	3.930.436	3.588.628

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**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY
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	Current Period September 30, 2021	Prior Period December 31, 2020
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)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital	-	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period	-	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	3.930.436	3.588.628
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.336.474	1.247.686
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	320.270	324.722
Total Deductions from Tier II Capital	1.656.744	1.572.408
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 (-)	423	226
Total Deductions from Tier II Capital	423	226
Total Tier II Capital	1.656.321	1.572.182
Total Equity (Total Tier I and Tier II Capital)	5.586.757	5.160.810
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	26.882	37.046
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)**

	Current Period September 30, 2021	Prior Period December 31, 2020
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	5.559.875	5.123.764
Total Risk Weighted Assets	31.220.846	30.376.441
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	12,59	11,81
Tier I Capital Ratio (%)	12,59	11,81
Capital Adequacy Ratio (%)	17,81	16,87
BUFFERS		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,52	2,51
a) Capital Conservation Buffer Ratio (%)	2,50	2,50
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,02	0,01
c) Systemic significant Bank Buffer Ratio (%)	-	-
The ratio of Additional Common Equity Tier 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 (%)	4,07	3,30
Amounts Lower Than Excesses as per the Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	1.191.602	1.157.925
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	320.270	324.722
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt Instruments Covered by Temporary Article 4 (effective between January 1, 2018- January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

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b. Items included in capital calculation:

Information about instruments that will be included in total capital calculation:	
Details on Subordinated Liabilities:	
Issuer	HSBC HOLDINGS PLC
Identifier(s) (CUSIP, ISIN vb.)	Subordinated Loans
Governing law (s) of the instrument	BRSA
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Not Deducted
Eligible on unconsolidated and /or consolidated basis	Eligible
Instrument type	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.336
Nominal value of instrument	1.336
Accounting classification of the instrument	Liability –Subordinated Loan
Issuance date of instrument	28.04.2021
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	According to written approval of the BRSA, it can be fully repaid in the 5th year of the loan.
Subsequent call dates, if applicable	None
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	LIBOR + 6,99%
Existence of any dividend payment restriction	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible into equity shares	
	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, conversion trigger (s)	
If convertible, fully or partially	Fully convertible
	The conversion rate / value shall be calculated based on the market data in the case of the exercise of the right.
If convertible, conversion rate	
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
Common Equity	3.930.436	3.829.293	3.728.150
Transition process not implemented Common Equity	3.728.150	3.728.150	3.728.150
Tier I Capital	3.930.436	3.829.293	3.728.150
Transition process not implemented Tier I Capital	3.728.150	3.728.150	3.728.150
Total Capital	5.559.875	5.458.732	5.357.589
Transition process not implemented Equity	5.357.589	5.357.589	5.357.589
TOTAL RISK WEIGHTED AMOUNTS			
Total Risk Weighted Amounts	31.220.846	31.220.846	31.220.846
Capital Adequacy Ratio			
Common Equity	12,59	12,27	11,94
Transition process not implemented Common Equity Ratio (%)	11,94	11,94	11,94
Tier I Capital	12,59	12,27	11,94
Transition process not implemented Tier I Capital Adequacy Ratio (%)	11,94	11,94	11,94
Capital	17,81	17,48	17,16
Transition process not implemented Capital Adequacy Ratio (%)	17,16	17,16	17,16
LEVERAGE			
Leverage Ratio Total Risk Amount	59.780.289	59.780.289	59.780.289
Leverage (%)	6,57	6,41	6,24
Transition process not implemented Leverage Ratio (%)	6,24	6,24	6,24

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 February 27, 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.

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

d. Explanations on reconciliation of capital items with balance sheet amounts:

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

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II. EXPLANATIONS ON CREDIT RISK

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

III. EXPLANATIONS ON COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION

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

IV. EXPLANATIONS ON CURRENCY RISK

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

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

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

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

c. Management policy for foreign currency risk:

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

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

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

Current Period –September 30, 2021	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	8,8725	10,2806
Prior Balance Sheet Date		
September 29, 2021	8,8745	10,3139
September 28, 2021	8,8701	10,3722
September 27, 2021	8,8277	10,3319
September 24, 2021	8,8599	10,3749
September 23, 2021	8,7421	10,2667
Prior Period –December 31, 2020	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	7,4267	9,1029
Prior Balance Sheet Date		
December 30, 2020	7,3704	9,0579
December 29, 2020	7,3892	9,0510
December 28, 2020	7,5846	9,2506
December 25, 2020	7,5846	9,2506
December 24, 2020	7,5846	9,2506

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IV. EXPLANATIONS ON CURRENCY RISK (Continued)

e. The simple arithmetic average of the Bank’s foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies:

As of September 2021, the Bank’s simple arithmetic average foreign exchange rate for USD is TL 8,5594 (December 2020: TL 7,7069) and exchange rate for Euro is TL 10,0774 (December 2020: TL 9,3823).

f. Information related to Bank’s currency risk:

Current Period –September 30, 2021	Euro	USD	Other FC	Total
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1.743.493	2.855.151	1.608.782	6.207.426
Banks	-	1.043.697	7.041	1.050.738
Financial Assets at Fair Value through Profit or Loss (Net) (***)	448.516	1.195.936	4.420	1.648.872
Interbank Money Market Placements	-	14.419.698	-	14.419.698
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	7.981.952	5.937.928	56	13.919.936
Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets	9.823	23.267	133	33.223
Total Assets	10.183.784	25.475.677	1.620.432	37.279.893
Liabilities				
Bank Deposits	102	23	1	126
Foreign Currency Deposits	6.391.682	16.916.088	7.343.310	30.651.080
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	1.883.327	845.234	377	2.728.938
Marketable Securities Issued (Net)	-	-	-	-
Miscellaneous Payables	1.559	327.793	14.379	343.731
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	348.112	1.283.678	7.167	1.638.957
Total Liabilities	8.624.782	19.372.816	7.365.234	35.362.832
Net on Balance Sheet Position (***)	1.559.002	6.102.861	(5.744.802)	1.917.061
Net Off-Balance Sheet Position (***)	(1.229.554)	(5.445.886)	5.743.488	(931.952)
Financial Derivative Assets	12.972.853	19.519.252	8.832.563	41.324.668
Financial Derivative Liabilities	14.202.407	24.965.138	3.089.075	42.256.620
Non-cash Loans	1.974.942	5.151.596	727.882	7.854.420
Prior Period –December 31, 2020				
Total Assets	12.893.581	11.028.732	1.369.500	25.291.813
Total Liabilities	4.838.088	16.769.284	6.173.933	27.781.305
Net on-Balance Sheet Position	8.055.493	(5.740.552)	(4.804.433)	(2.489.492)
Net off-Balance Sheet Position	(7.851.066)	6.007.765	4.787.729	2.944.428
Financial Derivative Assets	12.881.196	27.369.590	7.603.286	47.854.072
Financial Derivative Liabilities	20.732.262	21.361.825	2.815.557	44.909.644
Non-cash Loans	1.403.138	3.101.839	484.277	4.989.254

(*) As of September 30, 2021, total loans amount consists foreign indexed loans amounting to TL 6,209 (December 31, 2020: TL 8,322).

(**) As of September 30, 2021, Other liabilities consists derivative financial liabilities amounting to TL 1.500.536 (December 31, 2020: TL 1.508.553).

(***) As of September 30, 2021, financial assets at fair value through profit or loss consists derivative financial assets amounting to TL 1.606.997 (December 31, 2020: TL 1.611.884).

(****) It is consist of long positions on the balance sheet for stage 1&2 foreign currency expected credit losses in accordance with TFRS 9.

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V. EXPLANATIONS ON INTEREST RATE RISK

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

The 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 – September 30, 2021	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 (*)	5.365.455	-	-	-	-	1.801.942	7.167.397
Banks (**)	993.721	-	-	-	-	57.014	1.050.735
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	223.509	218.192	308.285	1.808.631	60.419	4.225	2.623.261
Interbank Money Market Placements	16.378.799	-	-	-	-	-	16.378.799
Financial Assets at Fair Value Through Other Comprehensive Income	7.908	-	674.944	2.577.316	224.156	-	3.484.324
Loans	9.276.321	4.666.164	6.783.655	660.002	8.504	138.242	21.532.888
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.710	-	6	15.238	-	1.065.272	1.082.226
Total Assets	32.247.423	4.884.356	7.766.890	5.061.187	293.079	3.066.695	53.319.630
Liabilities							
Bank Deposits	303.668	-	-	-	-	139.217	442.885
Other Deposits	20.966.620	4.327.896	553.117	6.715	-	16.568.536	42.422.884
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	787.658	787.658
Marketable Securities Issued (Net)	-	598.270	-	-	-	-	598.270
Funds Borrowed	2.077.205	-	636.385	-	-	15.348	2.728.938
Other Liabilities (***) (***)	121.867	210.456	456.413	1.477.124	49.423	4.023.712	6.338.995
Total Liabilities	23.469.360	5.136.622	1.645.915	1.483.839	49.423	21.534.471	53.319.630
Balance Sheet Long Position	8.778.063	-	6.120.975	3.577.348	243.656	-	18.720.042
Balance Sheet Short Position	-	(252.266)	-	-	-	(18.467.776)	(18.720.042)
Off-Balance Sheet Long Position	-	-	194.872	-	-	-	194.872
Off-Balance Sheet Short Position	(202.541)	(79.459)	-	(17.208)	-	-	(299.208)
Total Position	8.575.522	(331.725)	6.315.847	3.560.140	243.656	(18.467.776)	(104.336)

(*) Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT, Banks and interbank money market balances consist of expected credit losses amounting to TL 2.979.

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

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

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V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period –December 31, 2020	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	6.129.074	-	-	-	-	961.945	7.091.019
Banks (*)	-	-	-	-	-	27.093	27.093
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	324.697	524.241	426.578	361.959	728.490	4.225	2.370.190
Interbank Money Market Placements	3.333.610	-	-	-	-	-	3.333.610
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	346.278	4.538.035	130.612	-	5.014.925
Loans	3.864.797	4.745.879	8.716.915	6.260.141	988.494	143.869	24.720.095
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	924	-	43	32.317	-	891.552	924.836
Total Assets	13.653.102	5.270.120	9.489.814	11.192.452	1.847.596	2.028.684	43.481.768
Liabilities							
Bank Deposits	497.127	-	-	-	-	163.952	661.079
Other Deposits	12.982.893	2.686.565	261.284	1.515	-	14.396.922	30.329.179
Funds from Interbank Money Market	1.242.251	-	-	-	-	-	1.242.251
Miscellaneous Payables	-	-	-	-	-	603.757	603.757
Marketable Securities Issued (Net)	-	-	951.920	-	-	-	951.920
Funds Borrowed	2.212.461	1.199.809	171.755	-	-	-	3.584.025
Other Liabilities (***)	309.087	462.084	540.915	607.884	620.640	3.568.947	6.109.557
Total Liabilities	17.243.819	4.348.458	1.925.874	609.399	620.640	18.733.578	43.481.768
Balance Sheet Long Position	-	921.662	7.563.940	10.583.053	1.226.956	-	20.295.611
Balance Sheet Short Position	(3.590.717)	-	-	-	-	(16.704.894)	(20.295.611)
Off-Balance Sheet Long Position	-	-	172.291	-	-	-	172.291
Off-Balance Sheet Short Position	(602.601)	(22.845)	-	(14.500)	-	-	(639.946)
Total Position	(4.193.318)	898.817	7.736.231	10.568.553	1.226.956	(16.704.894)	(467.655)

(*) 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”.

b. Effective average interest rates for monetary financial instruments:

Current Period –September 30, 2021	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	-	-	-	12,50
Banks	-	0,04	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	4,33	4,45	-	17,84
Interbank Money Market Placements	-	0,03	-	18,34
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	18,93
Loans	3,52	4,00	-	18,41
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	14,99
Other Deposits	0,09	0,53	-	16,45
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	20,51
Funds Provided from Other Financial Institutions	5,28	1,96	-	-

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V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period –December 31, 2020	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	12,00
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	3,30	4,97	-	14,27
Interbank Money Market Placements	-	0,06	-	17,99
Financial Assets at Fair Value through Other	-	-	-	-
Comprehensive Income	-	-	-	14,62
Loans	3,83	4,45	-	12,52
Investments Held-to-Maturity	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	11,56
Other Deposits	0,07	0,38	-	12,83
Funds From Interbank Money Market	-	-	-	14,94
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	15,00
Funds Provided from Other Financial Institutions	2,25	4,26	-	-

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

Position risk of equity securities in banking book:

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

VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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VII. EXPLANATIONS ON 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 if necessary actions are to be taken. The aim of these meetings is to ensure prevention of negative net cash flow of the bank liquidity and prevention exceeding limits by comparing the current situation regarding to the balance sheet structure of business line with the approved limit usage of strategic funding plans and liquidity.

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

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

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

Liquidity and funding management of the Bank adopts funding illiquid assets with stable funding instruments and funds in the need of to be always available as a principle. Stable funding instruments consist of stable deposit and long term 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 Bank’s total liabilities:

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

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

Information on liquidity risk mitigation techniques:

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

Explanation of the usage of stress test:

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

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

General Information on liquidity emergency and contingency plans:

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

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the Bank within this scope, liquidity stress tests have been launched by taking consideration of possible liquidity outflows and term-based cash flow changes, at the same time daily monitoring market variables and liquidity movements reported to the top management. The Bank sources of funds are formed of customer deposits substantially and the need for funding to be provided from interbank markets is at a minimum. Within the scope of stress tests shared with the executives, without providing any new funds from the market, considering possible utilisation requests such as possible late payments on loans which are subject in LCR and deposit outflows, restructuring or deferment requests, irrevocable and revocable commitments which are offered to the customers. In this context, it has been measured for how long they could afford the cumulative cash outflows. As a results of the scenarios, there is no foreseeable risk for LCR or net liquid position.

a. Liquidity coverage rate:

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

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

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

Explanation regarding the components of high quality liquid assets:

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

Components density of fund resources in all funds:

The Bank’s founding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for founding consists 80% of total liabilities.

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

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

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

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

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

Current Period – 30.09.2021	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			22.861.610	17.461.330
Cash Outflows				
Real person and retail deposits	28.301.938	20.662.273	2.719.998	2.066.227
Stable deposits	2.203.924	-	110.197	-
Less stable deposits	26.098.014	20.662.273	2.609.801	2.066.227
Unsecured debts other than real person and retail deposits	15.113.724	9.511.283	7.227.174	4.099.018
Operational deposits	-	-	-	-
Non-operational deposits	14.099.154	9.482.924	6.212.604	4.070.659
Other unsecured debts	1.014.570	28.359	1.014.570	28.359
Secured debts	-	-	-	-
Other cash outflows	850.318	5.426.076	850.318	5.426.076
Derivative liabilities and collateral completion liabilities	850.318	5.426.076	850.318	5.426.076
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	12.526.950	7.009.907	1.536.700	1.120.608
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			12.334.190	12.711.929
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	7.146.577	3.748.782	5.338.414	2.875.582
Other cash inflows	105.311	3.486.927	105.311	3.486.927
TOTAL CASH INFLOWS	7.251.888	7.235.709	5.443.725	6.362.509
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			22.861.610	17.461.330
TOTAL NET CASH OUTFLOWS			6.890.465	6.349.420
LIQUIDITY COVERAGE RATIO (%)			331,79	275,01

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

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

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

	Current Period - 30.09.2021			
	TL+FC		FC	
Highest (%)	477,97		366,58	
Date	05.08.2021		02.09.2021	
Lowest (%)	252,02		221,63	
Date	15.09.2021		01.07.2021	
Average (%)	331,79		275,01	
	Total value to which the consideration ratio is not applied ^(*)		Total value to which the consideration ratio is applied ^(*)	
Prior Period – 31.12.2020	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			10.196.288	6.850.504
Cash Outflows				
Real person and retail deposits	22.267.952	17.750.849	2.140.542	1.775.085
Stable deposits	1.725.061	-	86.253	-
Less stable deposits	20.542.891	17.750.849	2.054.289	1.775.085
Unsecured debts other than real person and retail deposits	10.212.546	5.521.404	4.946.039	2.303.976
Operational deposits	-	-	-	-
Non-operational deposits	9.703.773	5.494.925	4.437.266	2.277.497
Other unsecured debts	508.773	26.479	508.773	26.479
Secured debts	-	-	-	-
Other cash outflows	1.209.608	3.233.017	1.209.608	3.233.017
Derivative liabilities and collateral completion liabilities	1.209.608	3.233.017	1.209.608	3.233.017
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	9.971.580	4.577.309	1.222.027	827.843
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			9.518.216	8.139.921
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.358.359	2.752.907	3.691.964	2.515.106
Other cash inflows	213.013	4.275.808	213.013	4.275.808
TOTAL CASH INFLOWS	4.571.372	7.028.715	3.904.977	6.790.914
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			Values to which the upper limit is applied	
TOTAL NET CASH OUTFLOWS			10.196.288	6.850.504
LIQUIDITY COVERAGE RATIO (%)			5.613.239	2.034.980
HIGH QUALITY LIQUID ASSETS			181,65	336,64

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

Table below represents lowest, highest and average liquidity coverage rates for year 2020.

	Prior Period - 31.12.2020	
	TL+FC	FC
Highest (%)	298,84	429,62
Date	23.11.2020	17.11.2020
Lowest (%)	151,50	178,23
Date	17.12.2020	12.10.2020
Average (%)	181,65	336,64

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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 - September 30, 2021	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 ^(****)	1.801.942	5.365.455	-	-	-	-	-	7.167.397
Banks ^(****)	57.014	993.721	-	-	-	-	-	1.050.735
Financial Assets at Fair Value through Profit or Loss (Net) ^(***)	-	179.551	141.582	201.183	2.014.646	82.074	4.225	2.623.261
Interbank Money Market Placements ^(****)	-	16.378.799	-	-	-	-	-	16.378.799
Financial Assets at Fair Value through Other Comprehensive Income	-	7.908	-	674.944	2.577.316	224.156	-	3.484.324
Assets	-	7.908	-	674.944	2.577.316	224.156	-	3.484.324
Loans	-	13.797.914	105.545	2.382.257	4.784.253	324.677	138.242	21.532.888
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets ^(*)	-	1.710	-	6	15.238	-	1.065.272	1.082.226
Total Assets	1.858.956	36.725.058	247.127	3.258.390	9.391.453	630.907	1.207.739	53.319.630
Liabilities								
Bank Deposits	139.217	303.668	-	-	-	-	-	442.885
Other Deposits	16.568.536	20.966.620	4.327.896	553.117	6.715	-	-	42.422.884
Funds from Interbank Money Market	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	787.658	787.658
Marketable Securities Issued (Net)	-	-	598.270	-	-	-	-	598.270
Funds Borrowed	15.348	725.213	-	636.385	-	1.351.992	-	2.728.938
Other Liabilities ^(**) ^(****)	-	98.234	176.090	391.036	1.600.500	49.423	4.023.712	6.338.995
Total Liabilities	16.723.101	22.093.735	5.102.256	1.580.538	1.607.215	1.401.415	4.811.370	53.319.630
Net Liquidity Excess / (Gap)	(14.864.145)	14.631.323	(4.855.129)	1.677.852	7.784.238	(770.508)	(3.603.631)	-
Net Off Balance Sheet Position	-	(190.533)	(124.785)	194.491	16.491	-	-	(104.336)
Derivative Financial Assets	-	29.468.808	9.659.016	8.947.209	15.791.391	1.274.381	-	65.140.805
Derivative Financial Liabilities	-	29.659.341	9.783.801	8.752.718	15.774.900	1.274.381	-	65.245.141
Non-cash Loans	7.614.678	4.991	80.039	1.462.490	26.098	731	-	9.189.027
Prior Period – December 31, 2020								
Total Assets	989.038	12.535.335	4.448.700	10.751.430	11.662.908	2.054.710	1.039.647	43.481.768
Total Liabilities	14.560.874	14.963.794	3.677.521	2.928.475	2.375.923	802.477	4.172.704	43.481.768
Net Liquidity Excess / (Gap)	(13.571.836)	(2.428.459)	771.179	7.822.955	9.286.985	1.252.233	(3.133.057)	-
Net Off-Balance Sheet Position	-	(605.147)	(36.195)	170.872	2.815	-	-	(467.655)
Derivative Financial Assets	-	35.757.031	7.566.225	8.267.709	11.014.865	6.906.647	-	69.512.477
Derivative Financial Liabilities	-	36.362.178	7.602.420	8.096.837	11.012.050	6.906.647	-	69.980.132
Non-cash Loans	5.041.878	103.215	282.423	810.991	40.768	615	-	6.279.890

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

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

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

(****) Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT, Banks and interbank money market balances consist of expected credit losses amounting to TL 2.979.

c. Information on securitization positions:

None.

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VIII. EXPLANATIONS ON LEVERAGE RATIO

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

	Current Period	Prior Period
	30.09.2021 ^(*)	31.12.2020 ^(*)
Assets On the Balance Sheet		
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	37.885.608	44.748.350
2 (Assets deducted from core capital)	(216.997)	(210.210)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	37.668.611	44.538.140
Derivative Financial Instruments and Loan Derivatives		
4 Renewal cost of derivative financial instruments and loan derivatives	127.506	884.240
5 Potential credit risk amount of derivative financial instruments and loan derivatives	552.261	345.254
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	679.767	1.229.494
Financing Transactions with Securities or Goods Warranties		
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	255.124	73.322
8 Risk amount arising from intermediated transactions	-	-
9 Total risk amount of financing transactions with securities or goods warranties (sum of lines 7 and 8)	255.124	73.322
Off-the-Balance Sheet Transactions		
10 Gross nominal amount of the off-the-balance sheet transactions	21.176.787	21.956.968
11 Adjustment amount arising from multiplying by the credit conversion rate	-	-
12 Total risk amount for off-the-balance sheet transactions (sum of lines 10 and 11)	21.176.787	21.956.968
Capital and Total Risk		
13 Core capital	3.890.536	3.535.531
14 Total risk amount (sum of lines 3,6,9 and 12)	59.780.289	67.797.924
Transition Process Unapplied Leverage Ratio		
15 Transition process unapplied leverage ratio (%)	6,51	5,21

^(*) Table represents three month average amounts.

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IX. EXPLANATIONS ON RISK MANAGEMENT

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

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

Explanations on Risk Management and Risk Weighted Amount:

Overview of Risk Weighted Amounts:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period September 30, 2021	Prior Period December 31, 2020	Current Period September 30, 2021
Credit risk (excluding counterparty credit risk)	24.773.206	24.863.067	1.981.856
Standardised approach	24.773.206	24.863.067	1.981.856
Internal rating-based approach	-	-	-
Counterparty credit risk	848.358	1.114.658	67.869
Standardised approach for counterparty credit risk	848.358	1.114.658	67.869
Internal model method	-	-	-
Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – 1250% risk weighting approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
IRB ratings-based approach	-	-	-
IRB supervisory formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	2.123.200	1.509.938	169.856
Standardised approach	2.123.200	1.509.938	169.856
Internal model approaches	-	-	-
Operational risk	3.476.082	2.888.778	278.087
Basic indicator approach	3.476.082	2.888.778	278.087
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	31.220.846	30.376.441	2.497.668

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

XII. EXPLANATIONS ON OPERATING SEGMENTS

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

In the retail banking segment, the Bank provides debit card, credit card, deposits, consumer loan, payment and collection, premier customer services, custodian services, financial planning, insurance products services. In corporate and commercial banking segment, the Bank provides loans, commercial card, foreign trade financing, structured trading financing, project and export financing, syndications, custodian services, cash and risk management services. In the corporate and investment banking segment, loan and investment services, commercial card, insurance products, cash and risk management services are provided to customers. Also, the 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	Bank's Total Activities
Current Period –September 30, 2021					
Operating Income	541.677	956.560	386.298	14.434	1.898.969
Other	-	-	-	-	-
Operating Income	541.677	956.560	386.298	14.434	1.898.969
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(80.919)	609.153	200.106	(33.379)	694.961
Profit before Tax	(80.919)	609.153	200.106	(33.379)	694.961
Corporate Tax Provision (*)	-	-	-	(158.104)	(158.104)
Profit after Tax	(80.919)	609.153	200.106	(191.483)	536.857
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(80.919)	609.153	200.106	(191.483)	536.857
Segment Assets	2.982.628	12.299.510	38.002.519	-	53.284.657
Associates and Subsidiaries	-	-	34.753	220	34.973
Undistributed Assets	-	-	-	-	-
Total Assets	2.982.628	12.299.510	38.037.272	220	53.319.630
Segment Liabilities	28.910.438	14.372.335	4.753.607	1.327.201	49.363.581
Undistributed Liabilities	-	-	-	3.956.049	3.956.049
Total Liabilities	28.910.438	14.372.335	4.753.607	5.283.250	53.319.630
Other Segment Items	(110.457)	-	(4.029)	(20.779)	(135.265)
Capital Investment	-	-	-	80.174	80.174
Amortization	-	-	-	(100.953)	(100.953)
Impairment	-	-	(4.029)	-	(4.029)
Non-Cash Other Income-Expense (**)	(110.457)	-	-	-	(110.457)

(*) Corporate tax provision is not distributed.

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

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XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank’s Total Activities
Prior Period – December 31, 2020 (***)					
Operating Income	560.963	790.238	469.592	(18.453)	1.802.340
Other	-	-	-	-	-
Operating Income	560.963	790.238	469.592	(18.453)	1.802.340
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(168.829)	173.935	345.892	(2.707)	348.291
Profit before Tax	(168.829)	173.935	345.892	(2.707)	348.291
Corporate Tax Provision (*)	-	-	-	(93.350)	(93.350)
Profit after Tax	(168.829)	173.935	345.892	(96.057)	254.941
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(168.829)	173.935	345.892	(96.057)	254.941
Segment Assets	3.223.755	14.345.651	25.877.389	-	43.446.795
Associates and Subsidiaries	-	-	34.753	220	34.973
Undistributed Assets	-	-	-	-	-
Total Assets	3.223.755	14.345.651	25.912.142	220	43.481.768
Segment Liabilities	21.799.753	10.684.154	5.990.330	5.007.531	43.481.768
Undistributed Liabilities	-	-	-	3.497.389	3.497.389
Total Liabilities	21.799.753	10.684.154	5.990.330	5.007.531	43.481.768
Other Segment Items	815.541	(1.394)	(10.518)	97.105	900.734
Capital Investment	-	-	-	97.105	97.105
Amortization	(81.006)	(1.394)	(382)	-	(82.782)
Impairment	-	-	(10.136)	-	(10.136)
Non-Cash Other Income-Expense (**)	896.547	-	-	-	896.547

(*) Corporate tax provision is not distributed.

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

(***) Income and expense items represents date of September 30, 2020.

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SECTION FIVE

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

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

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

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Cash/Foreign Currency The CBRT	80.881	858.409	74.523	763.208
	880.178	5.349.017	121.663	6.132.889
Total	961.059	6.207.426	196.186	6.896.097

2. Information related to balances with the CBRT:

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Unrestricted Demand Deposit	853.227	9.577	116.499	8.265
Unrestricted Time Deposit	26.951	-	5.164	2.594.328
Restricted Time Deposit	-	-	-	-
Reserve Requirements	-	5.339.440	-	3.530.296
Total	880.178	5.349.017	121.663	6.132.889

3. Explanation on reserve deposits:

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

As of September 30, 2021, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 3% - 8% (December 31, 2020: 1% - 6%) for TL deposits and other liabilities and between 5% - 24% for FC deposits (December 31, 2020: 5% - 22%).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

	Current Period September 30, 2021	Prior Period December 31, 2020
Collateral/Blocked	-	-
Repurchase Agreement	-	-
Unrestricted	873.029	345.157
Total	873.029	345.157

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

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

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Banks				
Domestic	4	-	-	-
Foreign	-	1.050.738	-	27.102
Foreign Head Office and Branches	-	-	-	-
Total	4	1.050.738	-	27.102

2. Information on foreign bank accounts:

Not disclosed in the interim period.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

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

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

	Current Period September 30, 2021	Prior Period December 31, 2020
Debt Securities	3.564.027	5.026.843
Quoted to Stock Exchange	3.564.027	5.026.843
Not Quoted	-	-
Share Certificate	-	-
Quoted to Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	79.703	11.918
Total	3.484.324	5.014.925

e. Information related to loans:

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

	Current Period September 30, 2021		Prior Period December 31, 2020	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	60.393	-	70.035
Corporate Shareholders	-	60.393	-	70.035
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	685.652	49.609	465.254
Loans Granted to Employees	17.296	-	16.519	-
Total	17.296	746.045	66.128	535.289

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

Cash Loans	Standard Loans	Loans under Close Monitoring		
		Loans not Subject to Restructuring	Restructured Loans	Refinance
			Loans with Revised Contract Terms	
Non-specialized Loans^(*)	16.442.697	3.703.978	2.392.405	-
Discount Notes	10.433.874	2.921.286	2.256.352	-
Export Loans	649.551	28.939	110.906	-
Import Loans	2.250.889	346.132	-	-
Loans Given to Financial Sector	277.531	-	-	-
Retail Loans	1.150.619	107.831	2.215	-
Credit Cards	1.680.233	299.790	22.932	-
Other	-	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	16.442.697	3.703.978	2.392.405	-

(*) Includes the factoring receivables amounting to TL 149.529.

	Current Period September 30, 2021		Prior Period December 31, 2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	115.388	-	145.629	-
Significant Increase in Credit Risk	-	1.029.046	-	985.195
Total	115.388	1.029.046	145.629	985.195

3. Breakdown of loans according to their maturities:

Not disclosed in the interim period.

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I. EXPLANATIONS AND NOTES RELATED TO 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	85.660	1.053.756	1.139.416
Mortgage Loans	-	181.853	181.853
Automotive Loans	3.675	65.730	69.405
Consumer Loans	81.985	805.317	887.302
Other	-	856	856
Consumer Loans- Indexed to FC	-	320	320
Mortgage Loans	-	320	320
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	1.960.077	16.943	1.977.020
Instalment	657.402	16.943	674.345
Non Instalment	1.302.675	-	1.302.675
Individual Credit Cards-FC	8.586	-	8.586
Instalment	478	-	478
Non Instalment	8.108	-	8.108
Personnel Loans-TL	473	9.252	9.725
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	473	9.252	9.725
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	7.499	2	7.501
Instalment	3.396	2	3.398
Non Instalment	4.103	-	4.103
Personnel Credit Cards-FC	70	-	70
Instalment	-	-	-
Non Instalment	70	-	70
Overdraft Account-TL (Individual)	111.204	-	111.204
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	2.173.569	1.080.273	3.253.842

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	-	6.184	6.184
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	6.184	6.184
Other	-	-	-
Commercial Instalment Loans- FC Indexed	-	20.678	20.678
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	20.678	20.678
Other	-	-	-
Commercial Instalment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	8.500	-	8.500
Instalment	1.445	-	1.445
Non Instalment	7.055	-	7.055
Corporate Credit Cards-FC	1.278	-	1.278
Instalment	-	-	-
Non Instalment	1.278	-	1.278
Overdraft Account-TL (Commercial)	-	-	-
Overdraft Account-FC (Commercial)	-	-	-
Total	9.778	26.862	36.640

6. Loans according to types of borrowers:

Not disclosed in the interim period.

7. Distribution of domestic and foreign loans:

	Current Period September 30, 2021	Prior Period December 31, 2020
Domestic Loans	22.232.325	25.329.901
Foreign Loans	306.755	377.148
Total (*)	22.539.080	25.707.049

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

8. Loans granted to investments in associates and subsidiaries:

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

9. Specific provisions provided against loans:

	Current Period September 30, 2021	Prior Period December 31, 2020
Loans with Limited Collectability	36	487
Loans with Doubtful Collectability	17.221	17.650
Uncollectible Loans	318.787	459.559
Total	336.044	477.696

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

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

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
Current Period: September 30, 2021			
Gross Amounts Before Provisions	-	-	80.440
Rescheduled Loans	-	-	80.440
Prior Period: December 31, 2020			
Gross Amounts Before Provisions	848	4.490	93.456
Rescheduled Loans	848	4.490	93.456

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

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
Balance at the end of Prior Period: December 31, 2020	1.034	22.797	597.735
Additions (+)	1.577	33.205	428
Transfers from Other Categories of Non-Performing Loans (+)	-	1.564	26.371
Transfers to Other Categories of Non-Performing Loans (-)	1.564	26.371	-
Collections (-)	483	8.924	41.772
Write-offs (-)	-	-	131.311
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: September 30, 2021	564	22.271	451.451
Provisions (-)	36	17.221	318.787
Net Balance in Balance Sheet	528	5.050	132.664

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

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

As of September 30, 2021, there are no non-performing loans granted as foreign currency loans (December 31, 2020: None).

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net): September 30, 2021	528	5.050	132.664
Loans granted to corporate entities and real persons (Gross)	564	22.271	451.451
Provisions Amount (-)	36	17.221	318.787
Loans granted to corporate entities and real persons (Net)	528	5.050	132.664
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): December 31, 2020	547	5.147	138.176
Loans granted to corporate entities and real persons (Gross)	1.034	22.797	597.735
Provisions Amount (-)	487	17.650	459.559
Loans granted to corporate entities and real persons (Net)	547	5.147	138.176
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	8	369	6.372
Interest Accruals and Rediscount with Valuation Differences	21	2.333	16.733
Provision amount (-)	13	1.964	10.361
Prior Period (Net)	53	1.086	5.558
Interest Accruals and Rediscount with Valuation Differences	53	2.758	14.315
Provision amount (-)	-	1.672	8.757

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

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

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

Within the scope of the “Regulation Amending the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions for These”, which was published in the Official Gazette dated 27 November 2019 and numbered 30961, the Bank has been responsible for the recovery of the loans classified as “Fifth Group-Loans with Losses”. It can exclude the portion of which there is no reasonable expectation regarding the balance sheet. The bank makes an objective assessment while determining whether there is a reasonable expectation.

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

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

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

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

f. Explanations on financial assets measured at amortized cost:

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

As of September 30, 2021 the Bank has no financial assets measured at amortized cost given as collateral/blocked and subject to repurchase agreements (December 31, 2020: None).

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

(i) Financial assets measured at amortized cost:

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

3. Information on financial assets measured at amortized cost:

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

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

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

g. Information on associates (Net):

The Bank has no associates as of September 30, 2021 and December 31, 2020.

h. Information on subsidiaries (Net):

1. Information on the unconsolidated subsidiaries:

a) Unconsolidated subsidiaries:

Title	Address (City/Country)	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	0,00

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
3.005	3.004	-	-	-	374	501	-

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

2. Information on the consolidated subsidiaries:

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

a) Consolidated subsidiaries:

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

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

Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss (**)	Fair Value
168.289	105.818	4.098	7.761	755	19.086	22.914	-

(*) Prepared on the basis of the audited 30 June 2021 consolidated financial statements.

(**) Prepared on the basis of the audited 30 June 2020 consolidated financial statements.

3. Movement schedule of the consolidated subsidiaries:

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

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

	Current Period September 30, 2021	Prior Period December 31, 2020
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

5. Subsidiaries quoted on a stock exchange:

The Bank has no subsidiaries quoted on a stock exchange as of September 30, 2021 and December 31, 2020.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

i. Information on jointly controlled entities:

- a. The Bank has no jointly controlled entities as of September 30, 2021 and December 31, 2020.
- b. As of September 30, 2021 and December 31, 2021, the accounting method is not determined since the Bank has no jointly controlled entities.

j. Information on financial lease receivables (Net):

As of September 30, 2021 and December 31, 2020, the Bank has no finance leases.

k. Information on hedging derivative financial assets:

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

l. Explanations on property and equipment:

Not disclosed in the interim period.

m. Information on intangible assets:

Not disclosed in the interim period.

n. Information on the investment properties:

As of September 30, 2021 and December 31, 2020, the Bank has no investment properties.

o. Explanations on deferred tax asset:

As of September 30, 2021, foreign currency deferred tax asset of the Bank is TL 273.399 (December 31, 2020: TL 256.259). Temporary differences subject to deferred tax calculation result from mainly the loan provisions to be deducted from tax, other provisions allocated within the scope of TAS 37, tax values and debts of fixed assets and financial assets, and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank, are netted-off and accounted. As of September 30, 2021 The Bank’s information regarding deferred tax have been explained in Note XX of Section Three.

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

As of September 30, 2021, assets held for sale of the Bank is TL 559 (December 31, 2020: TL 1.221).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

r. Information on other assets:

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

	Current Period September 30, 2021	Prior Period December 31, 2020
Miscellaneous Receivables (*)	173.571	62.723
Prepaid Expenses	55.135	67.019
Debited Suspense Accounts	82.960	58.243
Other Rediscount Income (**)(***)	68.996	42.128
Total	380.662	230.113

(*) It includes BIST guarantees. The previous period amount includes derivative collaterals in addition to BIST collaterals.

(**) As of September 30, 2021 amount of TL 3.056 provision provided for Miscellaneous Receivables within the scope of TFRS 9 (December 31, 2020: TL 380).

(***) Includes dividend payments and other income accruals.

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

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

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

a. Information on deposits

1. Information on maturity structure of the deposits:

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

1(i). Current Period –September 30, 2021:

	Demand	With 7 Days Maturity	Up to 1 Month	1-3 Months	3-6 Months	6 Months - 1 Year	1 Year And Over	Cumulative Deposit	Total
Saving Deposits	430.889	-	1.416.264	4.570.660	591.261	200.683	245.848	-	7.455.605
Foreign Currency Deposits	10.886.519	-	6.924.073	7.579.224	213.680	105.176	147.827	-	25.856.499
Residents in Turkey	9.759.156	-	6.773.333	6.915.526	125.503	60.125	66.191	-	23.699.834
Residents Abroad	1.127.363	-	150.740	663.698	88.177	45.051	81.636	-	2.156.665
Public Sector Deposits	2.742	-	-	-	-	-	-	-	2.742
Commercial Deposits	811.700	-	3.261.204	182.181	20.932	31.276	-	-	4.307.293
Other Institutions Deposits	5.746	-	419	-	-	-	-	-	6.165
Precious Metal Deposit	4.430.940	-	25.006	327.512	6.086	4.638	398	-	4.794.580
Bank Deposits	139.217	-	303.668	-	-	-	-	-	442.885
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	139.217	-	303.668	-	-	-	-	-	442.885
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	16.707.753	-	11.930.634	12.659.577	831.959	341.773	394.073	-	42.865.769

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

1(ii). Prior Period –December 31, 2020:

	Demand	With 7 Days Maturity	Up to 1 Month	1-3 Months	3-6 Months	6 Months - 1 Year	1 Year And Over	Cumulative Deposit	Total
Saving Deposits	374.165	-	803.165	2.963.736	186.985	67.002	34.476	-	4.429.529
Foreign Currency Deposits	9.206.514	-	2.939.947	5.076.203	432.501	71.477	144.989	-	17.871.631
Residents in Turkey	8.145.756	-	2.677.757	4.518.207	359.933	33.892	63.132	-	15.798.677
Residents Abroad	1.060.758	-	262.190	557.996	72.568	37.585	81.857	-	2.072.954
Public Sector Deposits	224	-	-	-	-	-	-	-	224
Commercial Deposits	686.509	-	2.545.990	250.260	-	-	-	-	3.482.759
Other Institutions Deposits	3.988	-	81	-	-	-	-	-	4.069
Precious Metal Deposit	4.125.522	-	24.544	380.679	5.407	4.453	362	-	4.540.967
Bank Deposits	163.952	-	497.127	-	-	-	-	-	661.079
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	163.952	-	497.127	-	-	-	-	-	661.079
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	14.560.874	-	6.810.854	8.670.878	624.893	142.932	179.827	-	30.990.258

2. Information on saving deposits insurance:

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

Saving Deposits	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Current Period September 30, 2021	Current Period September 30, 2021	Prior Period December 31, 2020	Prior Period December 31, 2020
Saving Deposits	2.783.176	4.672.429	2.088.283	2.341.246
Foreign Currency Saving Deposits	3.535.347	13.448.005	3.366.384	9.692.579
Other Deposits in the Form of Saving	651.800	3.952.305	722.277	3.646.937
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	6.970.323	22.072.739	6.176.944	15.680.762

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

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

	Current Period September 30, 2021	Prior Period December 31, 2020
Foreign Branches' Deposits and other accounts	-	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wardship	28.421	45.660
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26/09/2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off- shore Banking Activities	-	-

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Forward Transactions	-	191.541	-	179.701
Swap Transactions	104.516	171.887	374.618	402.235
Future Transactions	-	-	-	-
Options	-	1.137.108	-	926.617
Other	-	-	-	-
Total	104.516	1.500.536	374.618	1.508.553

c. Information on funds provided under repurchase agreements:

As of September 30, 2021, the Bank has no funds provided under repurchase agreements (December 31, 2020: TL 1.242.251).

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	-	-
Foreign Banks and Institutions and Funds	-	1.376.946	-	1.931.228
Total	-	1.376.946	-	1.931.228

2. Information on the maturity structure of funds borrowed:

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Short-Term	-	15.348	-	742.670
Medium and Long-Term	-	1.361.598	-	1.188.558
Total	-	1.376.946	-	1.931.228

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

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

e. Information on marketable securities issued:

	Current Period September 30, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Bills	598.270	-	951.920	-
Bonds	-	-	-	-
Total	598.270	-	951.920	-

f. Information on foreign other liabilities:

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

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g. Information on financial leasing agreements:

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

	Current Period September 30, 2021	Prior Period December 31, 2020
Less than 1 year	4.650	5.122
Between 1- 4 years	36.146	39.262
More than 4 years	60.807	58.458
Total	101.603	102.842

h. Information on derivative financial liabilities for hedging purposes:

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

i. Information on provisions:

1. Information on general provisions:

	Current Period September 30, 2021	Prior Period December 31, 2020
Provisions for off-balance sheet commitments ^(*)	44.189	24.664

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

2. Information on employee benefit provisions:

As of September 30, 2021, the Bank has employee termination benefit provision amounting to TL 52.694 (December 31, 2020: TL 59.857), and unused vacation provision amounting to TL 14.969 (December 31, 2020: TL 11.701).

In accordance with existing Turkish Labour Law, the Bank 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 8.254,51 (full TL) (December 31, 2020: TL 7.117,17 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. TAS 19 requires actuarial valuation methods to be used in order to calculate Bank'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 Bank is calculated from the ceiling amount valid from January 1, 2021, TL 8.284,51 (full TL) (December 31, 2020: TL 7.7117,17 (full TL)).

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	Current Period September 30, 2021	Prior Period December 31, 2020
As of January 1	59.857	55.884
Service Cost	2.664	3.749
Interest Cost	5.876	6.645
Actuarial Loss / (Gain)	(12.781)	(4.957)
Paid in Current Period	(2.922)	(1.464)
Total	52.694	59.857

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

As of September 30, 2021, the bank has no provisions related to foreign currency difference on the principles of foreign currency indexed loans (December 31, 2020: None).

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

As of September 30, 2021, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.392 (December 31, 2020: TL 1.793).

5. Information on restructuring provisions:

As of September 30, 2021, the bank has no provision for restructuring.(December 31, 2020: TL None).

6. Information on other provisions:

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

As of September 30, 2021, the Bank has no free provisions for possible risks (December 31, 2020: None).

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

	Current Period September 30, 2021	Prior Period December 31, 2020
Provision for Lawsuits	47.565	37.111
Provision for Accumulated Credit Card Bonus	3.275	2.962
Return Provision of Case File Expenses	295	298
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.392	1.793
Other Provisions (*)	63.781	67.891
Total	116.308	110.055

(*) As of September 30, 2021 other provisions amounting TL 44.189 (December 31, 2020: TL 24.664) with TFRS 9 Stage 1 and Stage 2 non-cash loans provision for expected losses and includes other provisions within TAS 37.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

j. Explanations on tax liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period September 30, 2021	Prior Period December 31, 2020
Taxation on Marketable Securities	12.725	25.548
Banking Insurance Transaction Tax (BITT)	15.069	13.706
Value Added Tax Payable	1.111	996
Capital Gains Tax on Property	134	600
Foreign Exchange Transaction Tax	2.249	2.690
Corporate Taxes Payable	32.965	54.824
Other ^(*)	10.327	8.041
Total	74.580	106.405

^(*) As of September 30, 2021, other taxes payable amount consists of payroll tax amounting to TL 7.307. (December 31, 2020: TL 7.311), stamp tax amounting to TL 294 (December 31, 2020: TL 235), other taxes amounting to TL 240 (December 31, 2020: TL 236), and self-employed income tax amounting to TL 159 (December 31, 2020: TL 259).

1(ii). Information on premium payables:

	Current Period September 30, 2021	Prior Period December 31, 2020
Social Security Premiums – Employer	3.958	3.933
Social Security Premiums – Employee	6.943	5.830
Bank Social Aid Pension Fund Premium – Employer	-	-
Bank Social Aid Pension Fund Premium – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Unemployment Insurance – Employer	489	579
Unemployment Insurance – Employee	588	409
Other	-	-
Total	11.978	10.751

2. Information on deferred tax liability:

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

k. Information on liabilities regarding assets held for sale and discontinued operations:

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

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

Not disclosed in the interim period.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

m. Information on shareholder’s equity:

1. Presentation of paid-in capital:

	Current Period September 30, 2021	Prior Period December 31, 2020
Common Stock Provision	652.290	652.290
Preferred Stock Provision	-	-

Amount of paid-in capital of the Bank is presented in nominal amount. As of September 30, 2021 capital reserve due to adjustment of the paid-in capital for inflation amounts to TL 310.888 has been classified under the other capital reserve sub-account (December 31, 2020: Other capital reserve is amounting to TL 272.693).

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

Registered share capital system is not applied.

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

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

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

The Bank 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 Bank has no capital commitments.

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

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

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

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

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8. Information on valuation differences of marketable securities:

	Current Period		Prior Period	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Foreign Currency Difference	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	(78.504)	-	9.735	-
Valuation Difference	(78.504)	-	9.735	-
Foreign Currency Difference	-	-	-	-
Total	(78.504)	-	9.735	-

9. Information on revaluation value increase fund:

As of September 30, 2021 and December 31, 2020, the Bank has no revaluation value increase fund.

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

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

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

1. Type and amount of irrevocable commitments:

	Current Period	Prior Period
	September 30, 2021	December 31, 2020
Asset Purchase and Sale Commitments	8.291.339	14.713.727
Commitments for Credit Card Limits	3.422.547	3.308.035
Commitments for Cheques	14.766	15.531
Loan Granting Commitments	240.191	188.459
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	21.127	18.102
Tax and Fund Liabilities from Export Commitments	2.286	2.286
Other Irrevocable Commitments	542.974	542.659
Total	12.535.230	18.788.799

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

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

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(Continued)**

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 September 30, 2021	Prior Period December 31, 2020
Letters of Guarantee	5.320.681	4.048.072
Letters of Credit	3.628.784	2.027.452
Bank Acceptances	1.181	412
Other Guarantees	238.381	203.954
Total	9.189.027	6.279.890

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

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

3. Information on the non-cash loans:

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

	Current Period September 30, 2021	Prior Period December 31, 2020
Non- Cash Loans Given for Cash Loan Risks		
Non- Cash Loans	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More Than One Year	-	-
Other Non-Cash Loans	9.189.027	6.279.890
Total	9.189.027	6.279.890

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

b. Explanations on derivative transactions:

Not disclosed in the interim period.

c. Explanations on credit derivatives and risk exposures on credit derivatives:

None.

d. Explanations on contingent liabilities and assets:

Contingent assets are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of September 30, 2021, there is no contingent assets to be disclosed.

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

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The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of September 30, 2021, the total amount of these lawsuits filed against the Bank is TL 47.565 (December 31, 2020: TL 37.111). A total provision of TL 295 (December 31, 2020: TL 298) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favor, with TL 47.860 (December 31, 2020: TL 37.409) being for provisions for refunds related to case document charges.

e. Explanations on fiduciary services rendered on behalf of third parties:

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

IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

a. Information on interest income:

1. Information on interest income received from loans:

	Current Period		Prior Period	
	September 30, 2021		September 30, 2020	
	TL	FC	TL	FC
Interest Income on Loans ^(*)				
Short-Term Loans	977.340	150.513	598.779	75.163
Medium and Long-Term Loans	185.808	315.411	171.039	332.290
Interest on Loans Under Follow-Up	13.945	1.523	16.581	100
Resource Utilization Support Fund	-	-	-	-
Total	1.177.093	467.447	786.399	407.553

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

2. Information on interest income received from banks:

	Current Period		Prior Period	
	September 30, 2021		September 30, 2020	
	TL	FC	TL	FC
From the CBRT	97	-	569	-
From the Domestic Banks	153.181	2	27.196	-
Foreign Banks	412	397	1.207	2.986
Headquarters and Branches of Foreign Banks	-	-	-	-
Total	153.690	399	28.972	2.986

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3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	79.456	4.808	34.106	4.378
Financial Assets at Fair Value Through Other Comprehensive Income	474.986	-	262.370	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Total	554.442	4.808	296.476	4.378

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

As of September 30, 2021 and September 31, 2020, the Bank has no interest income received from investments in associates and subsidiaries.

b. Information on interest expense:

1. Information on interest expense on funds borrowed :

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

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

	Current Period	Prior Period
	September 30, 2021	September 30, 2020
Interest Expenses Given to Subsidiaries and Associates	3.033	2.578

3. Information on interest expense to marketable securities issued:

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

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4. Maturity structure of the interest expense on deposits:

Current Period: September 30, 2021	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	38.270	-	-	-	-	-	38.270
Saving deposits	-	148.871	563.113	78.264	38.897	16.808	-	845.953
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	251.862	32.800	7.560	2.276	-	-	294.498
Other deposits	-	23	-	-	-	-	-	23
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	-	439.026	595.913	85.824	41.173	16.808	-	1.178.744
Foreign Currency								
Foreign currency deposits	-	11.621	28.150	705	2.045	234	-	42.755
Interbank deposits	-	2	-	-	-	-	-	2
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	7	328	5	3	-	-	343
Total	-	11.630	28.478	710	2.048	234	-	43.100
Grand Total	-	450.656	624.391	86.534	43.221	17.042	-	1.221.844

Prior Period: September 30, 2020	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	15.364	-	-	-	-	-	15.364
Saving deposits	-	49.015	168.555	4.303	2.809	3.624	-	228.306
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	139.602	19.284	3.843	3.128	2.712	-	168.569
Other deposits	-	6	-	-	-	-	-	6
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	-	203.987	187.839	8.146	5.937	6.336	-	412.245
Foreign Currency								
Foreign currency deposits	-	13.683	28.578	2.092	3.686	1.614	-	49.653
Interbank deposits	-	6	-	-	-	-	-	6
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	4	492	9	17	-	-	522
Total	-	13.693	29.070	2.101	3.703	1.614	-	50.181
Grand Total	-	217.680	216.909	10.247	9.640	7.950	-	462.426

5. Information on interest given on repurchase agreements:

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

6. Information on finance lease expenses:

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

7. Information on interest given on factoring payables:

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

c. Explanations on dividend income:

As of September 30, 2021, the share of the Bank in the dividend distribution of its subsidiaries is TL 32.843 (September 30, 2020: TL 25.196).

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

1. Trading income/loss (Net):

	Current Period	Prior Period
	September 30, 2021	September 30, 2020
Profit	185.196.205	81.168.554
Capital Market Transactions Income	217.778	275.383
Gain on Derivative Financial Transactions	5.293.589	7.875.608
Foreign Exchange Gains	179.684.838	73.017.563
Loss (-)	184.903.756	80.737.388
Capital Market Transactions Loss	193.900	154.371
Loss on Derivative Financial Transactions	4.956.949	6.986.756
Foreign Exchange Loss	179.752.907	73.596.261
Total (Net)	292.449	431.166

e. Information on other operating income:

	Current Period	Prior Period
	September 30, 2021	September 30, 2020
Reverse of Previous Years Expenses ^(*)	75.515	143.386
Gain on Sale of Assets ^(**)	29.834	1.761
Provision for Telecommunication Expense	2.740	2.450
Other Income	48.642	43.248
Total	156.731	190.845

^(*) Consist of collections or cancellations made from amounts transferred to expense accounts and other provision cancellations through loan loss provision in previous years.

^(**) Income from the sale of assets is shown in the line of income from the sale of real estate held by the Bank

f. Impairment provisions related to loans and other receivables of the Bank:

	Current Period	Prior Period
	September 30, 2021	September 30, 2020
Expected Credit Loss	57.959	393.753
12 Months Expected Credit Loss (Stage 1)	-	67.133
Significant Increase in Credit Risk (Stage 2)	57.959	252.676
Non-performing Loans (Stage 3)	-	73.944
Marketable Securities Impairment Expense	4.029	10.136
Financial Assets at Fair Value Through Profit or Loss	2.724	10.136
Financial Assets at Fair Value Through Other Comprehensive Income	1.305	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Other	-	-
Total	61.988	403.889

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g. Information related to other operating expenses:

	Current Period September 30, 2021	Prior Period September 30, 2020
Reserve for Employee Termination Benefits	-	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	57.224	53.411
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	43.727	29.350
Impairment Expenses of Equity participants for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses on Assets Held for Sale	2	21
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	183.876	301.222
Leasing Expenses on TFRS 16 Exceptions	7.042	4.914
Maintenance Licensing Expenses	53.784	41.319
Maintenance Expenses	19.078	19.181
Communication Expenses	10.899	11.193
Advertisement Expenses	25.499	21.254
Other Expenses ^(*)	67.574	203.361
Loss on Sales of Assets	1.976	5.709
Tax, Duties, Charges and Funds Expenses	79.948	61.918
Saving Deposit Insurance Fund Expenses	40.866	42.386
Other ^(*)	266.196	182.248
Total	673.815	676.265

(*) Other line amount TL 266.196 (September 30, 2020: TL 182.248) consists of balances from these items respectively; TL 850 of audit and consultancy fees (September 30, 2020: TL 844), TL 343 of the arbitration committee expenses (September 30, 2020: TL 437) and the remaining TL 265.003 consists of other expenses (September 30, 2020: TL 180.967).

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

h. Explanation on income/loss before tax for the period for continued and discontinued operations:

Not disclosed in the interim period.

i. Information on tax provision for continuing and discontinued operations:

As of September 30, 2021, the Bank has corporate tax provision expense amounting to TL 179.739 (September 30, 2020: TL 123.987 current tax provision expense) and deferred tax expense of TL 21.635 (September 30, 2020: TL 30.637 income).

j. Explanation on net profit/loss for the period for continued and discontinued operations:

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

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 1.105.220 (September 30, 2020: TL 905.128), net wage and commission income amounting to TL 311.726 (September 30, 2020: TL 250.005) have an important role among the income items in the accounting period ending on September 30, 2021. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank’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 Bank, 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.

a. Explanation on other items stated in the income statement:

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

	Current Period September 30, 2021	Prior Period September 30, 2020
Credit Card Transactions	141.050	103.806
Insurance Commissions	32.371	28.987
Commissions Received from Banking Transactions	7.996	9.253
Tefas Fund Platform	24.829	25.295
Other Fee and Commissions	62.103	53.412
Total	268.349	220.753

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

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

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

Not disclosed in the interim period.

2. Information on increases in cash flow hedges:

Not disclosed in the interim period.

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

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

Not disclosed in the interim period.

2. Information on cash flow hedges:

Not disclosed in the interim period.

c. Information on dividend distribution:

Not disclosed in the interim period.

d. Information on issuance of common stock:

Not disclosed in the interim period.

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

Not disclosed in the interim period.

f. Offsetting prior period's losses:

Not disclosed in the interim period.

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOW

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

d. Information on cash and cash equivalents:

Not disclosed in the interim period.

e. Additional information:

None.

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

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

Current Period –September 30, 2021

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Opening Balance	-	133	49.609	535.289	408	-
Closing Balance	-	267	-	746.045	25	-
Interest and Commission Income	-	4	863	6.574	-	-

Prior Period –December 31, 2020

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the 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	-	109	1.483	657.056	-	-
Closing Balance	-	133	49.609	535.289	408	-
Interest and Commission Income (*)	-	-	1.207	137	-	-

(*) Prior period amounts represents September 30, 2020.

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

2. Deposits held by the Bank’s risk group:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period September 30, 2021	Current Period September 30, 2021	Current Period September 30, 2021
Deposit			
Opening Balance	69.820	186.266	42.579
Closing Balance	51.878	139.201	34.868
Interest expense on deposits	3.033	-	927

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period December 31, 2020	Prior Period December 31, 2020	Prior Period December 31, 2020
Deposit			
Opening Balance	63.180	127.787	24.029
Closing Balance	69.820	186.266	42.579
Interest expense on deposits (*)	2.578	-	306

(*) Prior period amounts represents September 30, 2020.

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

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 September 30, 2021	Current Period September 30, 2021	Current Period September 30, 2021
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	42.775.309	2.623
Closing Balance	-	35.470.712	1.404
Total Profit/Loss	-	89.114	-
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 December 31, 2020	Prior Period December 31, 2020	Prior Period December 31, 2020
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	28.671.672	1.342
Closing Balance	-	42.775.309	2.623
Total Profit/Loss (*)	-	47.784	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss (*)	-	-	-

(*) Prior period amounts represents September 30, 2020.

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

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

As of September 30, 2021, payment is made to the Board of Directors and top executives of the Bank amounting to TL 36.610 (September 30, 2020: TL 37.770).

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

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

Not disclosed in the interim period.

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

The unconsolidated financial statements for the period ended September 30, 2021 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor’s limited review report dated November 5, 2021 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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SECTION SEVEN

INTERIM ACTIVITY REPORT

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

GENERAL INFORMATION

1. Summary information about HSBC Bank A.Ş.

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

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

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

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

Based on the approval of the Banking Regulation and Supervision Agency dated June 21, 2017, 10.01% share of HSBC Bank Plc.'s 100% ownership of the Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89.99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated June 29, 2017.

2. Capital and shareholding structure

The Bank has made no changes in their capital and shareholding structure as well as its shareholders who directly or indirectly; individually or as a group has an influence over the Bank's audit and management, as of the accounting period ended on September 30, 2021. HSBC Middle East Holdings B.V. has a shareholding rate of 89.99% and HSBC Bank Middle East Limited has 10.01% shareholding rate of the Bank's shares. HSBC Bank A.Ş.'s Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of September 30, 2021, HSBC Bank A.Ş.'s paid-in capital is TL 652.290 Thousand and its capital structure is as follows:

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

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RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)Information on Branches
and Personnel**

As of September 30, 2021, the Bank has 76 branches dispersed throughout the country (December 31, 2020: 77 branches). As of September 30, 2021, the number of employees of the Bank is 1.892 (December 31, 2020: 1.948).

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

HSBC Bank A.Ş.’s Articles of Association had no changes in January 1 – September 30, 2021 period.

5. Chairman and Members of the Board of Directors

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

Name and Surname	Title
Paul Joseph Lawrence	Chairman
Didem Çerçi	Chairman Deputy
Süleyman Selim Kervancı	Member, CEO
Robert Adrian Underwood	Member
Ayşe Ebru Dorman ¹	Member
Edward Michael Flanders	Member
Christopher James Hatton	Member

6. Audit Committee

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

Name and Surname	Title
Didem Çerçi	Head of the Audit Committee
Robert Adrian Underwood	Member of the Audit Committee
Christopher James Hatton	Member of the Audit Committee

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

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7. Executive Management

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

Name and Surname	Title	Area of Responsibility
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Anthony Wright	Deputy CEO	Credit and Risk
Ayşe Yenel	Deputy CEO	Retail Banking
Burçin Ozan	Deputy CEO	Finance
Dilek Güleç Salzburg	Deputy CEO	Global Banking
Caner Işlak	Deputy CEO	Corporate Banking
Funda Temoçin Aydoğan	Deputy CEO	Human Resources
İbrahim Namık Aksel	Deputy CEO	Treasury and Capital Markets
Tolga Tüzüner	Head Legal Advisor	Legal

8. HSBC Bank’s Financial Power Rating

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

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

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9. Summary of unconsolidated financial information for the period

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

According to unconsolidated financial statements, for the period ending on September 30, 2021, HSBC Bank A.Ş.'s total assets realised at 53.3 billion TL increased by 23% compared to the end of 2020. Loans, which form nearly 43% of the assets, seem to be around 23 billion TL gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around 42.9 billion TL and formed 80% of liabilities. The balance sheet's unconsolidated items groups' period-end balances on the relevant dates are shown below.

ASSETS (Thousand TL)	30.09.2021	31.12.2020
Financial Assets (Net)	30.704.516	17.836.837
Other Financial Assets Measured at Amortized Cost	21.532.888	24.720.095
Non-Current Assets or Disposal Groups “Held for Sale” and “Held from Discontinued Operations” (Net)	559	1.221
Equity Investments	34.973	34.973
Property and Equipment (Net)	190.122	220.567
Intangible Assets (Net)	202.511	181.703
Investment Property (Net)	-	-
Current Tax Asset	-	-
Deferred Tax Asset	273.399	256.259
Other Assets	380.662	230.113
Total Assets	53.319.630	43.481.768
LIABILITIES (Thousand TL)	30.09.2021	31.12.2020
Deposits	42.865.769	30.990.258
Funds Borrowed	1.376.946	1.931.228
Money markets	-	1.242.251
Securities Issued (Net)	598.270	951.920
Funds	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-
Derivative Financial Liabilities	1.605.052	1.883.171
Factoring Liabilities	-	-
Lease Liabilities	101.603	102.842
Provisions	183.971	181.613
Current Tax Liability	86.558	117.156
Deferred Tax Liability	-	-
Liabilities Related to Non-Current Assets “Held For Sale” and “Held from Discontinued Operations”(Net)	-	-
Subordinated Debt	1.351.992	1.652.797
Other Liabilities	1.193.420	931.143
Shareholders' Equity	3.956.049	3.497.389
Total Liabilities	53.319.630	43.481.768

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

STATEMENT OF INCOME (Thousand TL)	30.09.2021	30.09.2020
Net Interest Income	1.105.220	905.128
Other Non-Interest Income	793.749	897.212
Total Operating Income/Expense	1.898.969	1.802.340
Other Operating Expenses (-)	1.118.655	1.047.170
Provision for Loan Losses (-)	85.353	406.879
Net Operating Income/(Loss)	694.961	348.291
Tax Provision (-)	158.104	93.350
NET PROFIT/LOSS FOR THE PERIOD	536.857	254.941

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ACTIVITIES IN THE INTERIM PERIOD (Continued)**

Message from the Chairman

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

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

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

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

Sincerely,

Paul Joseph Lawrence

Chairman

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Message from the CEO

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

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

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

The financial performance of our bank also continued its positive course in the third quarter of the year. In this period, we increased our asset size by 23% compared to the end of the year and continued to support our economy and customers in a stable manner. However, thanks to the trust of our customers in our Bank, we were able to increase our deposits by over 38%. By prudently managing our asset quality, we managed to achieve our non-performing loans ratio of 2.1%, below the sector's. As a result of these developments, our return on equity reached 19.2%. In the same period, we continued to closely monitor our capital and liquidity position, taking into account the ongoing macro-economic and risks arising from the Covid-19 pandemic.

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

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RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)**

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

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

Sincerely,

Selim Kervanci
Chief Executive Officer

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE 3.I
HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2021**

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

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

10. Additional Information on Period Between 01.01.2021-30.09.2021

None.