

HSBC BANK A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH AUDIT REPORT AT DECEMBER 31, 2021

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

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

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

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

A) Independent Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of HSBC BANK A.Ş (“the Bank”) and its subsidiaries (collectively referred as “Group”), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and consolidated other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of HSBC Bank A.Ş as at December 31, 2021 and consolidated financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 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.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter is addressed in our audit
<p><i>Transition impact of TFRS 9 “Financial Instruments” Standard and recognition of impairment on financial assets and related significant disclosures</i></p>	
<p>As presented in Section 3 disclosure VIII, the Group adopted the TFRS 9 “Financial Instruments” standard began to recognize expected credit losses of financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter since:</p> <ul style="list-style-type: none"> - Amount of on and off-balance sheet items that are subject to expected credit loss calculation is material to the financial statements - There are complex and comprehensive requirements of TFRS 9 - The classification of the financial assets is based on the Group’s business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments - Policies implemented by the Group management include compliance risk to the regulations and other practices - Processes of TFRS 9 are advanced and complex - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive - Disclosure requirements of TFRS 9 are comprehensive and complex 	<p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group’s past experience, local and global practices - Reviewing and testing of new or re-structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists - Evaluating the reasonableness of management’s key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices - Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group’s Business Model - Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and group’s past performance. Evaluating the alignment of those forward looking parameters to Group’s internal processes where applicable - Assessing the impact of the COVID-19 epidemic on macroeconomic variables used in the staging of loans and the calculation of expected loan losses, together with important forecasts and assumptions for the future - Assessing the completeness and the accuracy of the data used for expected credit loss calculation - Testing the mathematical accuracy of expected credit loss calculation on sample basis - Evaluating the judgments and estimates used for the individually assessed financial assets - Evaluating the accuracy and the necessity of post-model adjustments - Auditing of TFRS 9 disclosures.

Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 - December 31, 2021 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

Damla Harman
Partner, SMMM

March 10, 2022
Istanbul, Türkiye

CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş. AND ITS FINANCIAL AFFILIATIES AS OF AND FOR THE YEAR-ENDED PERIOD ENDED DECEMBER 31, 2021

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Web-site : www.hsbc.com.tr
Contact E-mail Address : hsbchaberlesmemerkezi@hsbc.com.tr

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

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

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

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

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

Didem Çerçi
Vice President Of The
Executive Board /
President of the 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:

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

As of December 31, 2021, the Parent Bank’s nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. Based on the approval of the Banking Regulation and Supervision Agency dated June 21, 2017, 10,01% share of HSBC Bank Plc.’s 100% ownership of the Parent Bank’s capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated June 29, 2017. As of December 31, 2021 there has been no changes regarding the Parent Bank’s capital structure and shareholders of the Parent Bank who are in charge of the management or auditing of the Parent Bank directly or indirectly.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

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

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

<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 Robert Cyril OATES (**) Christopher 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 IŞLAK Tuğçe Bora KILIÇ (***)	Credit and Risk Retail Banking Finance Human Resources Treasury and Capital Markets Head of Legal Advisor Global Banking Corporate Banking Technology and Services	Graduate Undergraduate Undergraduate Undergraduate Graduate Graduate Undergraduate Graduate Graduate
Audit Committee:	Didem Çerçi Christopher James HATTON Robert Adrian UNDERWOOD	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 Parent Bank.

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

(**) Robert Cyril Oates has been appointed as of 13/12/2021 to replace Neslihan Erkazancı, who resigned from her duty as a Member of the Board of Directors as of 16/09/2021.

(***) Tuğçe Bora Kılıç has been appointed as the Deputy General Manager in Charge of Technology and Services as of November 17, 2021.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

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

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

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

(*) The amounts are expressed in full TL.

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

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

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

In addition to regular banking operations in accordance to the articles of association, the Parent Bank also provides insurance intermediary services as an agency of 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 Brokerlik through its branches and investment intermediary services, also undertaking the role of steering customers for portfolio sharing as an agent for transmitting orders of HSBC Yatırım.

As of December 31, 2021, the Parent Bank has 70 branches dispersed throughout the country (December 31, 2020: 77 branches).

As of December 31, 2021, the number of employees of the Group is 1.925 (December 31, 2020: 1.994).

VI. OTHER MATTERS

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

VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE

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

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

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

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

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

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

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020 (STATEMENT OF FINANCIAL POSITION)

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

**SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	Note (Section Five I)	Audited Current Period (31.12.2021)			Audited Prior Period (31.12.2020)			
		ASSETS	TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		7.723.749	38.335.187	46.058.936	7.997.516	9.853.168	17.850.684	
1.1 Cash and Cash Equivalents		3.674.598	34.622.985	38.297.583	2.378.362	8.075.944	10.454.306	
1.1.1 Cash and Balances with Central Bank	(I-a)	1.070.253	10.120.969	11.191.222	196.186	6.896.097	7.092.283	
1.1.2 Banks	(I-c)	26.254	997.400	1.023.654	2.584	27.102	29.686	
1.1.3 Money Market Placements		2.583.996	23.504.616	26.088.612	2.182.029	1.152.745	3.334.774	
1.1.4 Expected Loss Provision (-)		5.905	-	5.905	2.437	-	2.437	
1.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	95.684	132.668	228.352	195.305	165.340	360.645	
1.2.1 Government Debt Securities		90.117	132.668	222.785	189.738	165.340	355.078	
1.2.2 Equity Instruments		5.567	-	5.567	5.567	-	5.567	
1.2.3 Other Financial Assets		-	-	-	-	-	-	
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-d)	3.657.056	-	3.657.056	5.014.925	-	5.014.925	
1.3.1 Government Debt Securities		3.657.056	-	3.657.056	5.014.925	-	5.014.925	
1.3.2 Equity Instruments		-	-	-	-	-	-	
1.3.3 Other Financial Assets		-	-	-	-	-	-	
1.4 Derivative Financial Assets	(I-b)	296.411	3.579.534	3.875.945	408.924	1.611.884	2.020.808	
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		296.411	3.579.534	3.875.945	408.924	1.611.884	2.020.808	
Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-	
1.4.2 Income	(I-k)	-	-	-	-	-	-	
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		10.536.264	17.785.207	28.321.471	9.348.827	15.377.469	24.726.296	
2.1 Loans	(I-e)	12.052.130	17.785.207	29.837.337	10.897.575	15.377.469	26.275.044	
2.2 Lease Receivables	(I-j)	-	-	-	-	-	-	
2.3 Factoring Receivables		286.586	-	286.586	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 (-)		1.802.452	-	1.802.452	1.608.595	-	1.608.595	
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(I-p)	-	-	-	1.221	-	1.221	
3.1 Held for Sale Purpose		-	-	-	1.221	-	1.221	
3.2 Related to Discontinued Operations		-	-	-	-	-	-	
IV. EQUITY INVESTMENTS		220	-	220	220	-	220	
4.1 Investments in Associates (Net)	(I-g)	-	-	-	-	-	-	
4.1.1 Accounted Under Equity Method		-	-	-	-	-	-	
4.1.2 Consolidated Associates		-	-	-	-	-	-	
4.2 Subsidiaries (Net)	(I-h)	220	-	220	220	-	220	
4.2.1 Consolidated Financial Subsidiaries		-	-	-	-	-	-	
4.2.2 Consolidated 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 Consolidated Joint Ventures		-	-	-	-	-	-	
V. TANGIBLE ASSETS (Net)	(I-l)	186.546	-	186.546	221.432	-	221.432	
VI. INTANGIBLE ASSETS (Net)	(I-m)	242.695	-	242.695	181.806	-	181.806	
6.1 Goodwill		-	-	-	-	-	-	
6.2 Other		242.695	-	242.695	181.806	-	181.806	
VII. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-	
VIII. CURRENT TAX ASSET		-	-	-	-	-	-	
IX. DEFERRED TAX ASSET	(I-o)	668.979	-	668.979	257.441	-	257.441	
X. OTHER ASSETS	(I-r)	205.307	51.350	256.657	215.285	61.040	276.325	
TOTAL ASSETS		19.563.760	56.171.744	75.735.504	18.223.748	25.291.677	43.515.425	

The accompanying explanations and notes set out on pages 15 to 129 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 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)	Audited Current Period (31.12.2021)			Audited Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES					
I. DEPOSITS	(II-a)	12.829.431	45.096.310	57.925.741	8.514.625	22.408.453	30.923.078
II. FUNDS BORROWED	(II-d)	-	957.868	957.868	-	1.931.228	1.931.228
III. MONEY MARKET BALANCES	(II-c)	2.309.195	-	2.309.195	1.242.251	-	1.242.251
IV. MARKETABLE SECURITIES ISSUED (Net)		529.156	-	529.156	951.920	-	951.920
4.1 Bills		529.156	-	529.156	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)	131.184	4.844.088	4.975.272	374.618	1.508.553	1.883.171
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		131.184	4.844.088	4.975.272	374.618	1.508.553	1.883.171
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(II-f)	100.065	2.202	102.267	99.547	3.409	102.956
X. PROVISIONS	(II-h)	208.448	2.581	211.029	183.098	1.633	184.731
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		76.197	-	76.197	74.392	-	74.392
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		132.251	2.581	134.832	108.706	1.633	110.339
XI. CURRENT TAX LIABILITY	(II-i)	647.271	-	647.271	122.431	-	122.431
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)	-	1.984.831	1.984.831	-	1.652.797	1.652.797
14.1 Loans		-	1.984.831	1.984.831	-	1.652.797	1.652.797
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES	(II-e)	810.156	863.264	1.673.420	666.405	272.518	938.923
XVI. SHAREHOLDERS' EQUITY	(II-l)	4.419.454	-	4.419.454	3.581.939	-	3.581.939
16.1 Paid-in capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		310.888	-	310.888	272.693	-	272.693
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		310.888	-	310.888	272.693	-	272.693
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(13.911)	-	(13.911)	(20.974)	-	(20.974)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(110.708)	-	(110.708)	9.735	-	9.735
16.5 Profit Reserves		2.630.000	-	2.630.000	2.215.463	-	2.215.463
16.5.1 Legal Reserves		199.731	-	199.731	201.483	-	201.483
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		2.430.269	-	2.430.269	2.013.980	-	2.013.980
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit Or Loss		950.895	-	950.895	452.732	-	452.732
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		950.895	-	950.895	452.732	-	452.732
16.7 Minority Interest		-	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		21.984.360	53.751.144	75.735.504	15.736.834	27.778.591	43.515.425

The accompanying explanations and notes set out on pages 15 to 129 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF DECEMBER 31, 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)	Audited Current Period (31.12.2021)			Audited Prior Period (31.12.2020)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		34.773.960	123.095.751	157.869.711	31.467.620	120.835.138	152.302.758
I. GUARANTEES AND COLLATERALS	(III-a-2,3)	1.298.821	12.409.289	13.708.110	1.290.594	4.989.163	6.279.757
1.1 Letters of Guarantee		1.268.821	6.090.027	7.358.848	1.265.594	2.782.345	4.047.939
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		1.268.821	6.090.027	7.358.848	1.265.594	2.782.345	4.047.939
1.2 Bank Acceptances		-	-	-	-	412	412
1.2.1 Import Letter of Acceptance		-	-	-	-	412	412
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		30.000	5.964.093	5.994.093	25.000	2.002.452	2.027.452
1.3.1 Documentary Letters of Credit		30.000	3.369.695	3.399.695	25.000	1.151.801	1.176.801
1.3.2 Other Letters of Credit		-	2.594.398	2.594.398	-	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		-	-	-	-	-	-
1.9 Other Collaterals		-	355.169	355.169	-	203.954	203.954
II. COMMITMENTS	(III-a-1)	5.353.790	7.049.698	12.403.488	6.589.498	12.199.301	18.788.799
2.1 Irrevocable Commitments		5.353.790	7.049.698	12.403.488	6.589.498	12.199.301	18.788.799
2.1.1 Forward Asset Purchase and Sale Commitments		1.114.259	7.048.494	8.162.753	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		237.911	-	237.911	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		14.709	-	14.709	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		3.428.483	-	3.428.483	3.308.035	-	3.308.035
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		22.104	-	22.104	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		534.038	1.204	535.242	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)	28.121.349	103.636.764	131.758.113	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		28.121.349	103.636.764	131.758.113	23.587.528	103.646.674	127.234.202
3.2.1 Forward Foreign Currency Buy/Sell Transactions		8.801.835	18.681.585	27.483.420	5.620.930	8.754.954	14.375.884
3.2.1.1 Forward Foreign Currency Transactions-Buy		6.454.670	6.693.632	13.148.302	3.745.276	3.555.430	7.300.706
3.2.1.2 Forward Foreign Currency Transactions-Sell		2.347.165	11.987.953	14.335.118	1.875.654	5.199.524	7.075.178
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		13.398.624	67.445.218	80.843.842	9.480.572	79.283.673	88.764.245
3.2.2.1 Foreign Currency Swap-Buy		2.319.379	20.207.079	22.526.458	2.600.667	28.493.327	31.093.994
3.2.2.2 Foreign Currency Swap-Sell		4.681.245	22.219.171	26.900.416	6.879.905	27.708.756	34.588.661
3.2.2.3 Interest Rate Swap-Buy		3.199.000	12.509.484	15.708.484	-	11.540.795	11.540.795
3.2.2.4 Interest Rate Swap-Sell		3.199.000	12.509.484	15.708.484	-	11.540.795	11.540.795
3.2.3 Foreign Currency, Interest Rate, And Securities Options		5.920.890	11.889.690	17.810.580	8.486.026	10.552.554	19.038.580
3.2.3.1 Foreign Currency Options-Buy		2.960.445	5.944.845	8.905.290	4.243.013	5.276.277	9.519.290
3.2.3.2 Foreign Currency Options-Sell		2.960.445	5.944.845	8.905.290	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		-	5.620.271	5.620.271	-	5.055.493	5.055.493
B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		950.756.306	102.629.066	1.053.385.372	683.263.315	42.615.226	725.878.541
IV. ITEMS HELD IN CUSTODY		882.866.689	43.276.979	926.143.668	615.186.270	8.122.872	623.309.142
4.1 Customers' Securities Held		91.489.898	6.115.648	97.605.546	174.752	-	174.752
4.2 Investment Securities Held in Custody		789.429.478	22.690.989	812.120.467	612.999.046	1.058.659	614.057.705
4.3 Checks Received for Collection		32.450	273.433	305.883	25.701	130.671	156.372
4.4 Commercial Notes Received for Collection		190.451	33.894	224.345	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		1.724.412	14.163.015	15.887.427	1.864.830	6.908.058	8.772.888
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES ITEMS		65.128.128	30.428.077	95.556.205	65.783.256	21.641.484	87.424.740
5.1 Marketable Securities		67.297	2.016.807	2.084.104	27.146	1.103.651	1.130.797
5.2 Guarantee Notes		39.505	731.903	771.408	32.842	448.710	481.552
5.3 Commodity		622.017	301.088	923.105	571.021	983.044	1.554.065
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		2.812.412	12.576.244	15.388.656	3.240.747	9.834.339	13.075.086
5.6 Other Pledged Items		61.586.897	14.802.035	76.388.932	61.911.500	9.271.740	71.183.240
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS		2.761.489	28.924.010	31.685.499	2.293.789	12.850.870	15.144.659
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		985.530.266	225.724.817	1.211.255.083	714.730.935	163.450.364	878.181.299

The accompanying explanations and notes set out on pages 15 to 129 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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

III. STATEMENT OF PROFIT OR LOSS			Audited	
INCOME AND EXPENSE ITEMS		Note (Section Five IV)	Current Period (01.01.2021- 31.12.2021)	Prion Period (01.01.2020- 31.12.2020)
I.	INTEREST INCOME	(IV-a)	3.580.746	2.429.430
1.1	Interest Income on Loans	(IV-a-1)	2.346.705	1.696.729
1.2	Interest Received from Reserve Requirements		86.158	6.173
1.3	Interest Received from Banks	(IV-a-2)	181.115	58.746
1.4	Interest Received from Money Market Transactions		215.161	137.997
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	730.564	522.651
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		109.746	47.227
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		620.818	475.424
1.5.3	Financial Assets at Measured at Amortized Cost		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		21.043	7.134
II.	INTEREST EXPENSE (-)	(IV-b)	2.023.129	1.142.328
2.1	Interest Expense on Deposits	(IV-b-4)	1.647.764	662.832
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	129.402	122.589
2.3	Interest Expense on Money Market Transactions		53.718	253.868
2.4	Interest on Securities Issued	(IV-b-3)	171.099	31.370
2.5	Interest Expense on Lease		18.136	18.778
2.6	Other Interest Expenses		3.010	52.891
III.	NET INTEREST INCOME/EXPENSE (I - II)		1.557.617	1.287.102
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		533.337	427.556
4.1	Fees and Commissions Received		605.225	480.454
4.1.1	Non-Cash Loans		132.203	91.086
4.1.2	Other	(IV-m)	473.022	389.368
4.2	Fees and Commissions Paid (-)		71.888	52.898
4.2.1	Non-Cash Loans		777	783
4.2.2	Other		71.111	52.115
V.	DIVIDEND INCOME	(IV-c)	219	89
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	1.079.071	517.701
7.1	Trading Gains/(Losses) on Securities		(5.997)	152.204
7.2	Derivative Financial Transactions Gains/(Losses)		267.746	1.155.004
7.3	Foreign Exchange Gains/(Losses)		817.322	(789.507)
VII.	OTHER OPERATING INCOME	(IV-e)	203.003	356.595
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		3.373.247	2.589.043
IX.	PROVISION FOR LOAN LOSSES (-)	(IV-f)	477.779	485.240
X.	OTHER PROVISION EXPENSES (-)		30.206	13.713
XI.	PERSONNEL EXPENSES (-)		657.734	517.698
XII.	OTHER OPERATING EXPENSES (-)	(IV-g)	900.988	949.259
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		1.306.540	623.133
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)		1.306.540	623.133
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-i)	(355.645)	(170.401)
18.1	Current Tax Provision		(770.943)	(217.731)
18.2	Deferred Tax Income Effect (+)		(48.061)	(35.915)
18.3	Deferred Tax Expense Effect (-)		463.359	83.245
XIX.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)	(IV-j)	950.895	452.732
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from Non-Current Assets Held for Resale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
20.3	Other Income From Discontinued Operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses for Non-Current Assets Held for Resale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
21.3	Other Expenses From Discontinued Operations		-	-
XXII.	PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Income Effect (+)		-	-
23.3	Deferred Tax Expense Effect (-)		-	-
XXIV.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSSES (XIX+XXIV)	(IV-k)	950.895	452.732
	Earnings/Loss per Share		0,014578	0,006941

The accompanying explanations and notes set out on pages 15 to 129 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Audited Current Period (31.12.2021)	Audited Prior Period (31.12.2020)
I. CURRENT PERIOD INCOME/LOSS	950.895	452.732
II. OTHER COMPREHENSIVE INCOME	(113.380)	(12.658)
2.1 Not Reclassified Through Profit or Loss	7.063	4.006
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	8.974	5.017
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(1.911)	(1.011)
2.2 Reclassified Through Profit or Loss	(120.443)	(16.664)
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	(147.151)	(22.855)
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	26.708	6.689
III. TOTAL COMPREHENSIVE INCOME (I+II)	837.515	440.074

The accompanying explanations and notes set out on pages 15 to 129 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 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								
Audited Prior Period December 31, 2020	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Minority Shares	Total Equity
I. Balances at the Beginning of the Period - December 31, 2019		652.290	-	-	272.693	-	(24.980)	-	-	26.011	388	1.736.591	-	478.872	3.141.865	-	3.141.865
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		652.290	-	-	272.693	-	(24.980)	-	-	26.011	388	1.736.591	-	478.872	3.141.865	-	3.141.865
IV. Total Comprehensive Income		-	-	-	-	-	4.006	-	(16.276)	(388)	-	-	-	452.732	440.074	-	440.074
V. Capital Increase by Cash	(V-a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	478.872	-	(478.872)	-	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	478.872	-	(478.872)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		652.290	-	-	272.693	-	(20.974)	-	-	9.735	-	2.215.463	-	452.732	3.581.939	-	3.581.939

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

The accompanying explanations and notes set out on pages 15 to 129 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 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									
Audited Current Period December 31, 2021	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Minority Shares	Total Equity	
I. Balances at the Beginning of the Period - December 31, 2019		652.290	-	-	272.693	-	(20.974)	-	-	9.735	-	2.215.463	-	452.732	3.581.939	-	3.581.939	
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	-	(20.974)	-	-	9.735	-	2.215.463	-	452.732	3.581.939	-	3.581.939	
IV. Total Comprehensive Income		-	-	-	-	-	7.063	-	-	(120.443)	-	-	-	950.895	837.515	-	837.515	
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	-	-	-	-	-	-	414.537	-	(452.732)	-	-	-	
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	452.732	-	(452.732)	-	-	-	
11.3 Other		-	-	-	38.195	-	-	-	-	-	-	(38.195)	-	-	-	-	-	
Period-End Balance (III+IV+.....+X+XI)		652.290	-	-	310.888	-	(13.911)	-	-	(110.708)	-	2.630.000	-	950.895	4.419.454	-	4.419.454	

- 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 15 to 129 form an integral part of these consolidated financial statements

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Audited Current Period (31.12.2021)	Audited Prior Period (31.12.2020)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(VI-a)	2.391.772	1.377.070
1.1.1 Interest Received		3.589.718	2.477.791
1.1.2 Interest Paid		(2.024.770)	(1.121.426)
1.1.3 Dividend Received		219	89
1.1.4 Fees and Commissions Received		591.480	442.054
1.1.5 Other Income		193.363	94.863
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		79.770	96.436
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(672.961)	(493.492)
1.1.8 Taxes Paid		(207.929)	(166.666)
1.1.9 Other		842.882	47.421
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations		21.582.769	(5.213.443)
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		132.214	126.099
1.2.2 Net Decrease in Due From Banks		(4.831.967)	(1.298.776)
1.2.3 Net (Increase) in Loans		(3.220.769)	(8.764.765)
1.2.4 Net (Increase) in Other Assets		(5.234)	196.133
1.2.5 Net Increase in Bank Deposits		(345.564)	425.632
1.2.6 Net Increase/(Decrease) in Other Deposits		27.247.353	2.770.614
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net (Decrease) in Funds Borrowed		834.464	-
1.2.9 Net Increase/(Decrease) in Matured Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		1.772.272	1.331.620
I. Net Cash Provided From Banking Operations		23.974.541	(3.836.373)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From Investing Activities		1.018.811	(3.860.718)
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		(28.909)	(75.999)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		30.567	-
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(1.158.505)	(7.574.218)
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		2.301.014	3.847.910
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		(125.356)	(58.411)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From Financing Activities		(2.319.070)	2.757.428
3.1 Cash Obtained From Funds Borrowed and Securities Issued		4.805.908	2.815.610
3.2 Cash Outflow From Funds Borrowed and Securities Issued		(7.102.392)	-
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Lease Liabilities		(22.586)	(58.182)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(VI-a)	336.736	(21.779)
V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		23.011.018	(4.961.442)
VI. Cash and Cash Equivalents at Beginning of the Period	(VI-d)	6.913.155	11.874.597
VII. Cash and Cash Equivalents at End of the Period	(VI-d)	29.924.173	6.913.155

The accompanying explanations and notes set out on pages 15 to 129 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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

VII. STATEMENT OF PROFIT DISTRIBUTION	Audited Current Period (31.12.2021) (*)	Audited Prior Period (31.12.2020)
I. DISTRIBUTION OF INCOME		
1.1 Income for the Year	1.272.711	586.336
1.2 Taxes and Duties Payable (-)	339.412	155.882
1.2.1 Corporate Tax (Income Tax)	752.761	203.631
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues (**)	(413.349)	(47.749)
A. NET INCOME FOR THE YEAR (1.1-1.2)	933.299	430.454
1.3 Prior Year Losses (-)	-	-
1.4 First Legal Reserve (-)	-	-
1.5 Other Statutory Reserves (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-1.3-1.4-1.5)]	933.299	430.454
1.6 First Dividend to Shareholders (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 Dividends to Personnel (-)	-	-
1.8 Dividends to Board of Directors (-)	-	-
1.9 Second Dividend to Shareholders (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	-
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves	-	392.259
1.13 Other Reserves	-	-
1.14 Special Funds	-	38.195
II. DISTRIBUTION OF RESERVES	-	-
2.1 Appropriated Reserves	-	-
2.2 Second Legal Reserves (-)	-	-
2.3 Dividends to Shareholder (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 Dividends to Personnel (-)	-	-
2.5 Dividends to Board of Directors (-)	-	-
III. EARNINGS PER SHARE (**)		
3.1 To Owners of Ordinary Shares	0,014308	0,006599
3.2 To Owners of Ordinary Shares (%)	-	-
3.3 To Owners of Privileged Shares	-	-
3.4 To Owners of Privileged Shares (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 To Owners of Ordinary Shares	-	-
4.2 To Owners of Ordinary Shares (%)	-	-
4.3 To Owners of Privileged Shares	-	-
4.4 To Owners of Privileged Shares (%)	-	-

(*) As of reporting date, yearly ordinary meeting of the General Assembly has not been held yet to decide on the profit distribution for the year 2021.

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

The accompanying explanations and notes set out on pages 15 to 129 form an integral part of these consolidated financial statements

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021**

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

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

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

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

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”),and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2021 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 ongoing COVID-19 pandemic, which has recently 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.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

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

I. EXPLANATIONS ON BASIS OF PRESENTATION (CONTINUED)

Since it is aimed to update the most recent financial information in the consolidated financial statements prepared as of December 31, 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”. In the upcoming periods, the Parent Bank will update its relevant assumptions as necessary and revise the realizations of past every quarter.

In the statement made by the Public Oversight, Accounting and Auditing Standards Authority on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (CPI) is 74.41%, it is stated that there is no need to make any adjustments within the scope of TAS 29 Financial Reporting Standard in High Inflation Economies in the financial statements for 2021. In this respect, no inflation adjustment was made in accordance with TAS 29 while preparing the financial statements as of 31 December 2021.

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

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

Changes in Accounting policies and disclosures

New and revised Turkish Accounting Standards effective for annual periods beginning on or after January 1, 2021 have no material effect on the financial statements, financial performance and on the Group’s accounting policies. New and revised Turkish Accounting Standards issued but not yet effective as of the finalization date of the financial statements have no material effect on the financial statements, financial performance and on the Group’s accounting policies.

Within the scope of the Major 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 31 December 2021, the changes brought by the reform did not have a significant impact on the Group’s financial statements.

Explanation for convenience translation into English:

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

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

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

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

In addition to controlling the market risk, various stress scenarios, liquidity, gap and volatility analyses are carried out related to monitoring and management. Through these analyses, it is aimed to be prepared for possible risks and to make quick decisions regarding the targeted profitability.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

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

The activities carried out in relation to the identified risks are monitored by the Assets and Liabilities Committee and development decisions are made. Foreign currency exchange income and expenses arising from foreign currency transactions were recorded in the records at the time of the transaction. The balances of other foreign currency active and passive accounts, excluding non-monetary items accounted for on the basis of foreign currency non-performing loans and acquisition costs, have been converted from the Group's exchange rate to TL and the resulting exchange rate differences have been recorded in the income statement as foreign exchange profit or loss.

III. INFORMATION ON CONSOLIDATED SUBSIDIARIES AND AFFILIATES

The Group has no investments in associates as of December 31, 2021. The accompanying consolidated financial statements are prepared in accordance with TFRS 10 "Consolidated and Separate Financial Statements" and BRSA communiqué published on the Official Gazette numbered 26340 and dated November 8, 2006 Non-financial subsidiary of the Bank is HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on December 10, 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide hospitality, catering and private waiting room. As of October 17, 2019, discharge process of HSBC Ödeme has started.

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

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

^(*) HSBC Portföy Yönetimi A.Ş. ("HSBC Portföy") has been included scope of consolidation that the is the subsidiary of HSBC Yatırım Menkul Değerler A.Ş. ("HSBC Yatırım") and HSBC Yatırım

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

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V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Financial assets that are credit-impaired when purchased or granted, and credit-impaired financial assets when purchased or granted, with interest income based on the effective interest method (the ratio that equates to the present net present value of the future cash flows of the financial asset or liability) as defined in TFRS 9 Except for the financial assets that are not credited but become financial assets, they are accounted for by applying an effective interest rate to the gross book value of the financial asset. While applying the effective interest rate method, the fees that are an integral part of the effective interest rate of the financial instrument are determined, and unless the financial instrument is measured by reflecting the changes in fair value to profit or loss, the fees that are an integral part of the effective interest rate of the financial instrument are considered as an adjustment to the effective interest rate. Fees, which are an integral part of the effective interest rate of the financial instrument, are recognized as income or expense when the instrument is initially recognized, unless the instrument is measured at fair value through profit or loss.

When applying the effective interest method, fees, transaction costs and other premiums or discounts included in the calculation of the effective interest rate are amortized over the expected life of the financial instrument. In the event that unpaid interest accrues before the acquisition of an interest-bearing security; subsequently collected interest is divided into pre-acquisition and post-acquisition periods and only the post-acquisition portion is reflected in the financial statements as interest income. If the expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the change is reflected in the carrying value of the asset and the related income statement item and amortized over the estimated life of the financial instrument.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

The Group classifies and accounts its financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income or financial assets measured at amortized cost. The said financial assets are referred to as the “Taking into Financial Statements and Financial Statements” standard in the third part of the “TFRS 9 Financial Instruments” standard regarding the classification and measurement of financial instruments published in the Official Gazette dated 19 January 2017 and numbered 29953 by the Public Oversight, Accounting and Auditing Standards Authority (KKG). They are recorded or removed in accordance with the provisions of “Derecognition from Financial Statement”. During the initial recognition with financial assets, they are measured at their fair value. Transaction costs are added to the fair value or deducted from the fair value in the initial measurement of financial assets other than those at fair value through profit or loss.

A financial asset is recognized in the statement of financial position only when the Group becomes a party to the contractual terms of the financial instrument. During the initial recognition of a financial asset, the business model determined by the Parent Bank’s management and the characteristics of the contractual cash flows of the financial asset are taken into account. When the business model determined by the Parent Bank’s management is changed, all financial assets affected by this change are reclassified and the reclassification is applied prospectively. In such cases, no adjustments are made for gains, losses or interests previously recognized in the financial statements.

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

Classification and measurement of financial instruments

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

Considerations as to whether contractual cash flows include only payments of principal and interest on the principal balance.

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

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

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

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

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

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

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b) Financial Assets at Fair Value Through 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.

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 December 31, 2021 and December 31, 2020, the Group has no marketable securities measured at amortized cost.

d) Loans:

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

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

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VIII. EXPLANATIONS ON PROVISIONS FOR EXPECTED LOSSES

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

As of January 1, 2019, the Group recognizes a loss allowance for expected credit losses based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with “Procedures and 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.

Pursuant to the BRSA's decision dated March 17, 2020 and numbered 8948, in order to ensure the healthy continuation of economic and commercial activities as a result of the COVID-19 epidemic, within the scope of Articles 4 and 5 of the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Set aside for These. The 90-day delay period foreseen for the non-performing loans classification has been enabled to be applied as 180 days until September 30, 2021 for the loans followed in the First and Second Group as of the date of the Board Decision of June 17, 2021. In this context;

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

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

With the BRSA Board Decision dated September 16, 2021 and numbered 9795, it was decided to terminate the application, which was stated to expire as of the end of September 30, 2021, but as of October 1, 2021, for loans with a delay period of more than 31 days but not exceeding 90 days and for loans that exceeded 91 days and not exceeding 180 days, the said application would be continued in the same way by banks.

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

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VIII. EXPLANATIONS ON PROVISIONS FOR EXPECTED LOSSES (continued)

Calculation of Expected Credit Losses

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

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

In addition, 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. This model is sensitive to current and future macroeconomic conditions and is estimated over 12 months or lifetime time periods. With the customer rating grades, the PD value is calculated throughout the Life Cycle (TTC), 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 PROVISIONS FOR EXPECTED LOSSES (continued)

Loss Given Default (LGD)

It represents the economic loss that will be incurred in the event of the debtor's default. The LGD for individual loans 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. The LGD assignment for Corporate and Commercial loans is made on a model developed with a simplified approach, which includes macroeconomic expectations input and loan maturities, including macroeconomic cyclicity and future economic expectations.

Exposure at Default (EAD):

It is the expected receivable amount at the time of default. The expected default amount is calculated by discounting the expected principal and interest repayments and income accruals using the effective interest method. Credit conversion rates based on past performance and reflecting the relevant portfolio are used in the calculation of the default amount. Calculation of the default amount of all loans in our Parent 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, it is possible to produce more prudent results and prevent risk-increasing factors such as non-payment and partial payment that may occur in cash flows.

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/TR Y
- Unemployment rate
- Inflation rate
- Change in Industrial Production Index
- Housing price index
- Short term external debt

As of December 30, 2021, the Parent Bank calculated the expected credit loss by taking into account 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 macro-economic expectations used in the calculation of expected credit loss and revised the scenario weights within this scope. Calculations made by taking into account the PD and LGD parameters, which change according to these scenarios and their weights, are reflected in the financial statements as of December 31, 2021. The PD and LGD values basically reflect the annual rate of change in house prices, the change in short-term external debt in USD, and the annual change in gross national product.. 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 PROVISIONS FOR EXPECTED LOSSES (continued)

Calculating the Expected Loss Period

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

Significant Increase in Credit Risk

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

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

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

- Receivables overdue more than 30 days at the reporting date
- Receivables followed by the Bank within the scope of close monitoring
- Receivables evaluated within the scope of restructuring

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

With the BRSA Board Decision dated September 16, 2021 and numbered 9795, it was decided to terminate the application, which was stated to expire as of the end of September 30, 2021, but as of October 1, 2021, for loans with a delay period of more than 31 days but not exceeding 90 days and for loans that exceeded 91 days and not exceeding 180 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 Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss. Where all risks and rewards of ownership of the asset have not been transferred to another party and the Parent Bank retains control of the asset, the Parent Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

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

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

c) Derecognition of Financial Liabilities

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

d) Reclassification of Financial Instruments

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

e) Restructuring and Refinancing of Financial Instruments

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

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

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IX. DERECOGNITION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES

None.

XI. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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 December 31, 2021 and December 31, 2020, the Group has no discontinued operations.

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XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

The Group’s intangible assets are composed of software, goodwill and establishment expenditures. Intangible assets are measured in accordance with “Intangible Assets Standard” (“TAS 38”) at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical cost after the deduction of accumulated depreciation and the provision for value decreases. The depreciable amount of an intangible asset is allocated on a systematic basis over its useful life. The costs of the intangible assets purchased before 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 December 31, 2021, there is no net book value of goodwill (December 31, 2020: None).

XV. EXPLANATIONS ON LEASING AND EQUIPMENT

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

XVI. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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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 Group has started to apply the "TFRS 16 Leases" Standard with using the modified retrospective approach from January 1, 2019.

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

Right of use assets

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

The right use includes the presence of:

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

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

Lease Liabilities

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

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

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

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

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

- Increase the carrying amount to reflect the interest on the lease obligation; and
- Decreases the carrying amount to reflect the lease payments made.

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XVI. EXPLANATIONS ON LEASING TRANSACTIONS (CONTINUED)

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

Short-term leases and leases of low-value assets

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

Due to the Group’s implementation of TFRS 16, rights of use assets classified under tangible assets as of December 31, 2021 amounted to TL 87.012 (December 31, 2020: TL 109.076), lease liability amounted to TL 102.267 (December 31, 2020: TL 102.956), depreciation expense amounted to TL 40.247 (December 31, 2020: TL 40.434) and interest expense amounted to TL 18.136 (December 31, 2020: TL 18.778).

XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

XVIII. EXPLANATIONS ON CONTINGENT ASSETS

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

XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Parent Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Parent 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 6,54% (December 31, 2020: 3,82%).

As of December 31, 2021, actuarial loss amounted to TL 13.911 (December 31, 2020: TL 20.974 loss) is recognized under other income reserves in the financial statements.

All actuarial gains and losses are recognized under equity in accordance with revised 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 fourth 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

There is no workplace or distillation in Turkey. Payments made to the program purchased in Turkey with a workplace or permanent representation in Turkey and those with low income are subject to 15% withholding tax. It is taken into account in the applications included in the "Narrow Taxation Preventions". Addition of profit to capital will apply profit and withholding tax is not applied.

Within the scope of the temporary Article 33 added to the Tax Procedure Law with the Law No. 7352 published in the Official Gazette dated January 29, 2022; Despite the fulfillment of the inflation accounting conditions in terms of taxation, the correction of the December 31, 2021 financial statements has been postponed and the financial statements as of December 31, 2023 are subject to inflation adjustment regardless of whether the inflation adjustment conditions have been met.

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

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

b) Deferred Tax Asset/Liability:

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

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

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XX. EXPLANATIONS ON TAXATION (CONTINUED)

b) Deferred Tax Asset/Liability (CONTINUED) :

Deferred tax assets and liabilities are reflected in the financial statements by netting. Net deferred tax asset resulting from offsetting is shown in the balance sheet as deferred tax asset and net deferred tax liability is shown as deferred tax liability. As of 31 December 2021, the Group's deferred tax receivables amounting to TL 668.979 has been recognized as an asset (31 December 2020: The Group has registered a deferred tax receivable amounting to TL 257.441 as an asset).

Many related transactions and calculations, whose effects on the final tax amount are not certain, take place during the normal course of business, and such situations require the use of significant judgment when determining the income tax provision. The Parent Bank records the tax liabilities arising from the additional taxes expected to be paid as a result of tax events. In cases where the final tax results related to these matters are different from the amounts recorded at the beginning, these differences may affect the income tax and deferred tax liabilities in the periods in which they are determined.

c) Transfer Pricing:

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

XXI. EXPLANATIONS ON BORROWINGS

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

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of December 31, 2021 and December 31, 2020, the Group has no issued share certificates.

XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of December 31, 2021 and December 31, 2020, the Group has no government incentives.

XXV. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

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XXVI. PROFIT RESERVES AND PROFIT DISTRIBUTION

In the consolidated financial statements, retained earnings, excluding legal reserves, are available for distribution, subject to the legal reserve requirement set out below.

Legal reserves consist of first and second reserves as stipulated in the new Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve should be separated from profits at a rate of 5% until it reaches 20% of the total reserve paid-in capital. The second legal reserve is 10% over all cash dividend distributions exceeding 5% of the paid-in capital, but holding companies are not subject to this practice. Legal reserves can only be used to cover losses within the framework of the provisions of the TCC and cannot be used for other purposes unless they exceed 50% of the paid-in capital.

XXVII. EARNINGS / LOSS PER SHARE

Earnings per share stated in the profit or loss statement is calculated by dividing net profit/(loss) by the number of shares outstanding.

	Current Period December 31,2021	Prior Period December 31,2020
Net Profit/Loss For The Period	950.895	452.732
Number Of Shares	65.229.000.000	65.229.000.000
Earnings/(Loss) per Share ^(*)	0,014578	0,006941

(*) Amounts are expressed in full TL.

XXVIII. CASH AND CASH EQUIVALENTS

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

XXIX. RELATED PARTIES

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

XXX. RECLASSIFICATIONS

None.

XXXI. OTHER MATTERS

None.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY

Equity and Capital Adequacy Standard Ratio is calculated in accordance with “Communiqué on Measurement and Assessment of Capital Adequacy of Banks”, and “Communiqué on Equities of Banks”. As of December 31, 2021, equity of the Group and the Parent Bank is amounting to TL 6.759.429 and TL 6.656.504 respectively, and capital adequacy ratio of the Group and the Parent Bank is 18,88% and 18,71% respectively. As of December 31, 2020 has been in accordance with former regulations, thus equity of the Group and the Parent Bank is amounting to TL 5.208.493 and TL 5.123.764 respectively and the capital adequacy ratio was 17,08% and 16,87% respectively. Capital adequacy ratio of the Group is higher than the minimum rate required by the related regulations.

a) Information About Consolidated Shareholders’ Equity Items:

	Current Period December 31, 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	2.940.888	2.488.156
Other Comprehensive Income according to TAS	-	9.735
Profit	950.895	452.732
Current Period Profit	950.895	452.732
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	-
Minorities' Share	-	-
Common Equity Tier I Capital Before Deductions	4.544.073	3.602.913
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	23.699	20.974
Leasehold Improvements on Operational Leases	28.443	30.488
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	242.695	181.806
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier I Capital according to second paragraph of the provisional article 2 in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued common share capital of the entity	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	-
Total Deductions from Common Equity Tier I Capital	294.837	233.268
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	4.451.522	3.673.075

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

	Current Period December 31, 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)	-	-
Third parties’ share in the Additional Tier I capital	-	-
Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated 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)	4.451.522	3.673.075
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.962.017	1.247.686
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties’ share in the Additional Tier II capital	-	-
Third parties’ share in the Additional Tier II capital (Covered by Temporary Article 3)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	368.515	325.004
Total Deductions from Tier II Capital	2.330.532	1.572.690
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 Consolidated 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 Consolidated 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 (-)	559	226
Total Deductions from Tier II Capital	559	226
Total Tier II Capital	2.329.973	1.572.464
Total Equity (Total Tier I and Tier II Capital)	6.781.495	5.245.539
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	22.066	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 Consolidated 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 Consolidated 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 Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-

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

	Current Period December 31, 2021	Prior Period December 31, 2020
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	6.759.429	5.208.493
Total Risk Weighted Assets	35.798.763	30.493.047
CAPITAL ADEQUACY RATIOS		
Consolidated CET I Capital Ratio (%)	12,43	12,05
Consolidated Tier I Capital Ratio (%)	12,43	12,05
Consolidated Capital Adequacy Ratio (%)	18,88	17,08
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 (%)	3,90	3,53
Amounts Lower Than Excesses as per the Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Consolidated 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 Consolidated 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)	1.621.784	1.157.925
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	368.515	325.004
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
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's decision numbered 9996 dated December 21, 2021, in the capital adequacy calculations to be carried out until December 31, 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, and until December 21, 2021. In the event that the net valuation differences of the securities in the portfolio of “Securities at Fair Value Through Other Comprehensive Income” are negative, these differences are not taken into account in the equity amount to be used for the capital adequacy ratio. It will continue to be implemented for both regulations until a decision to the contrary is taken.

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

b) Items Included in Consolidated Capital Calculation:

Information about instruments that will be included in total capital calculation: Details on Subordinated Liabilities:	
Issuer	HSBC HOLDINGS PLC
Identifier(s) (CUSIP, ISIN vb.)	Subordinated Loans
Governing law (s) of the instrument	BRSA
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Not Deducted
Eligible on consolidated and /or consolidated basis	Eligible
Instrument type	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.962
Nominal value of instrument	1.962
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	
If convertible, conversion trigger (s)	In case of the possibility of cancelling the Bank's operational permit or transferring to the Fund; The principal amount and interest payment liabilities of the loan may be terminated in whole or in part in accordance with the decision of the Board in this direction or it may be converted into capital by complying with the required legislation.
If convertible, fully or partially	Fully convertible
If convertible, conversion rate	The conversion rate / value shall be calculated based on the market data in the case of the exercise of the right.
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	
If bonds can be written-down, write-down trigger(s)	-
If bond can be written-down, full or partial	-
If bond can be written-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	After borrowing, before additional capital, same as other contribution capital
In compliance with article number 7 and 8 of " Own fund regulation "	In compliance with the requirements of Article 7 and 8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of " Own fund regulation "	In compliance with the requirements of Article 7 and 8 of "Own fund regulation"

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

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

EQUITY ITEMS	T	T-1	T-2
Common Equity	4.451.522	4.350.379	4.249.236
Transition process not implemented Common Equity	4.249.236	4.249.236	4.249.236
Tier I Capital	4.451.522	4.350.379	4.249.236
Transition process not implemented Tier I Capital	4.249.236	4.249.236	4.249.236
Total Capital	6.759.429	6.658.286	6.557.143
Transition process not implemented Equity	6.557.143	6.557.143	6.557.143
TOTAL RISK WEIGHTED AMOUNTS			
Total Risk Weighted Amounts	35.798.763	35.798.763	35.798.763
CAPITAL ADEQUACY RATIO			
Common Equity	12,43	11,94	11,87
Transition process not implemented Common Equity Ratio (%)	11,87	11,66	11,87
Tier I Capital	12,43	11,94	11,87
Transition process not implemented Tier I Capital Adequacy Ratio (%)	11,87	11,66	11,87
Capital	18,88	18,43	18,32
Transition process not implemented Capital Adequacy Ratio (%)	18,32	18,14	18,32
LEVERAGE			
Leverage Ratio Total Risk Amount	75.947.078	75.947.078	75.947.078
Leverage (%)	5,42	5,73	5,59
Transition process not implemented Leverage Ratio (%)	5,59	5,59	5,59

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

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

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

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

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

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

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

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

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

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

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

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

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

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

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

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II. EXPLANATIONS ON CREDIT RISK (Continued)

Corporate and Commercial Loan Portfolio Rating System:

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

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

23 Basic customer risk rating ranges are as follows:

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

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

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

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

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

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

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

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

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II. EXPLANATIONS ON CREDIT RISK (Continued)

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

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

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

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

Risk Classification(*)	Current Period Risk Amount	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or central banks	11.032.117	9.124.121
Conditional and unconditional receivables from regional governments or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	5	28
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	2.408.698	3.032.181
Conditional and unconditional corporate receivables	25.782.732	23.424.784
Conditional and unconditional retail receivables	3.469.756	3.152.306
Conditional and unconditional receivables secured by mortgages	505.022	722.457
Past due receivables	116.821	153.205
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-
Investments of natured collective investment enterprise	-	-
Stock Investments	-	-
Other receivables	1.763.413	1.370.545
Total	45.078.564	40.979.627

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

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

Risk Classification(*)	Prior Period Risk Amount	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or central banks	11.684.829	8.679.101
Conditional and unconditional receivables from regional governments or local governments	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	39	35
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	2.569.437	2.696.980
Conditional and unconditional corporate receivables	21.539.012	18.773.492
Conditional and unconditional retail receivables	2.954.853	2.838.473
Conditional and unconditional receivables secured by mortgages	2.077.619	1.581.283
Past due receivables	156.730	189.229
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-
Investments of natured collective investment enterprise	-	-
Stock Investments	-	-
Other receivables	1.406.825	1.287.933
Total	42.389.344	36.046.526

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

(**) The average risk amount is determined by taking the arithmetic mean of values in the mont

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II. EXPLANATIONS ON CREDIT RISK (Continued)

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

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

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

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

d. Risk weight subject to non-cash loans turned into cash loans:

As of December 31, 2021, the Group has TL 15 (December 31, 2020: TL 1) of non-cash loans turned into cash loans.

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

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

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Letters of Guarantee	15	-	1	-
Prefinancing Loans	-	-	-	-
Commercial Letter of Credit Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Bad Check Payments	-	-	-	-
Other Liabilities	-	-	-	-
Total	15	-	1	-

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

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

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II. EXPLANATIONS ON CREDIT RISK (Continued)

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

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

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

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

f. The proportion of the Group’s top 100 and 200 cash loan balances in total cash loans: 84% and 89% (December 31, 2020: 80% and 88%).

The proportion of the Group’s top 100 and 200 non-cash loan balances in total non-cash loans: 98% and 100% (December 31, 2020: 96% and 100%).

The proportion of the Group’s cash and non-cash loan balances with the first 100 and 200 customers comprises of total cash loans and non-cash loans: 81% and 91% (December 31, 2020: 74% and 87%).

g. 1. Stage and 2. Stage loan loss provision booked by the Group: TL 1.556.834 (December 31, 2020: TL 1.157.925).

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II. EXPLANATIONS ON CREDIT RISK (Continued)

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

Current Period	Risk Categories (*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
December 31, 2021																		
Domestic	11.025.661	-	5	-	-	760.632	25.447.139	3.427.027	460.514	116.691	-	-	-	-	-	-	1.763.413	43.001.082
European Union Countries	-	-	-	-	-	1.309.519	102.324	16.010	113	96	-	-	-	-	-	-	-	1.428.062
OECD Countries (**)	-	-	-	-	-	74.384	-	957	-	-	-	-	-	-	-	-	-	75.341
Off – Shore Banking Regions	-	-	-	-	-	37.830	-	444	-	-	-	-	-	-	-	-	-	38.274
USD, Canada	-	-	-	-	-	35.810	182.386	2.585	-	-	-	-	-	-	-	-	-	220.781
Other Countries	6.456	-	-	-	-	190.523	50.883	22.733	44.395	34	-	-	-	-	-	-	-	315.024
Associates, Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	11.032.117	-	5	-	-	2.408.698	25.782.732	3.469.756	505.022	116.821	-	-	-	-	-	-	1.763.413	45.078.564

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

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

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

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

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II. EXPLANATIONS ON CREDIT RISK (Continued)

Prior Period December 31, 2020	Risk Categories (*)																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Domestic	11.684.829	-	39	-	-	1.795.994	21.240.132	2.919.726	2.069.977	156.515	-	-	-	-	-	-	1.406.825	41.274.037
European Union Countries	-	-	-	-	-	527.672	112.777	11.057	295	201	-	-	-	-	-	-	-	652.002
OECD Countries (**)	-	-	-	-	-	68.440	-	856	19	-	-	-	-	-	-	-	-	69.315
Off – Shore Banking Regions	-	-	-	-	-	49.179	-	456	-	-	-	-	-	-	-	-	-	49.635
USD, Canada	-	-	-	-	-	29.466	168.212	2.366	-	5	-	-	-	-	-	-	-	200.049
Other Countries	-	-	-	-	-	98.686	17.891	20.392	7.328	9	-	-	-	-	-	-	-	144.306
Associates, Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	11.684.829	-	39	-	-	2.569.437	21.539.012	2.954.853	2.077.619	156.730	-	-	-	-	-	-	1.406.825	42.389.344

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

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

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

- 1 Conditional and unconditional receivables from central governments or central banks
- 2 Conditional and unconditional receivables from regional governments or local governments
- 3 Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4 Conditional and unconditional receivables from multilateral development banks
- 5 Conditional and unconditional receivables from international organizations
- 6 Conditional and unconditional receivables from banks and brokerage houses
- 7 Conditional and unconditional corporate receivables
- 8 Conditional and unconditional retail receivables
- 9 Conditional and unconditional receivables secured by mortgages
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II. EXPLANATIONS ON CREDIT RISK (Continued)

i. Risk profile according to Sectors and Counterparties:

Sectors/Counterparties	Risk Categories (*)																	TP	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agricultural	-	-	-	-	-	-	80.362	-	-	49	-	-	-	-	-	-	-	32.562	47.849	80.411
Farming and Raising Livestock	-	-	-	-	-	-	80.361	-	-	10	-	-	-	-	-	-	-	32.522	47.849	80.371
Forestry	-	-	-	-	-	-	-	-	-	25	-	-	-	-	-	-	-	25	-	25
Fishing	-	-	-	-	-	-	1	-	-	14	-	-	-	-	-	-	-	15	-	15
Industry	-	-	-	-	-	-	15.523.412	-	203.373	78.583	-	-	-	-	-	-	-	6.442.433	9.362.935	15.805.368
Mining and Quarrying	-	-	-	-	-	-	37.999	-	-	51	-	-	-	-	-	-	-	163	37.887	38.050
Production	-	-	-	-	-	-	13.209.949	-	203.373	78.470	-	-	-	-	-	-	-	6.318.518	7.173.274	13.491.792
Electricity, Gas, Water	-	-	-	-	-	-	2.275.464	-	-	62	-	-	-	-	-	-	-	123.752	2.151.774	2.275.526
Construction	-	-	-	-	-	-	2.745.254	-	72.876	2.985	-	-	-	-	-	-	-	78.047	2.743.068	2.821.115
Services	11.032.117	-	-	-	-	2.408.698	4.856.451	-	154.997	18.607	-	-	-	-	-	-	-	8.346.187	10.124.683	18.470.870
Wholesale and Retail Trade	-	-	-	-	-	-	3.216.929	-	-	17.543	-	-	-	-	-	-	-	1.578.212	1.656.260	3.234.472
Hotel and Beverage Service	-	-	-	-	-	-	299.117	-	28.170	570	-	-	-	-	-	-	-	9.397	318.460	327.857
Transportation and Telecommunication	-	-	-	-	-	-	1.273.281	-	126.827	437	-	-	-	-	-	-	-	342.984	1.057.561	1.400.545
Financial Institutions	11.032.117	-	-	-	-	2.408.698	55.471	-	-	6	-	-	-	-	-	-	-	6.412.781	7.083.511	13.496.292
Real Estate and Lending Service	-	-	-	-	-	-	2.762	-	-	9	-	-	-	-	-	-	-	2.771	-	2.771
Self-Employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Service	-	-	-	-	-	-	-	-	-	11	-	-	-	-	-	-	-	-	-	11
Health and Social Services	-	-	-	-	-	-	8.891	-	-	31	-	-	-	-	-	-	-	31	8.891	8.922
Other	-	-	5	-	-	-	2.577.253	3.469.756	73.776	16.597	-	-	-	-	-	-	1.763.413	5.048.025	2.852.775	7.900.800
TOTAL	11.032.117	-	5	-	-	2.408.698	25.782.732	3.469.756	505.022	116.821	-	-	-	-	-	-	1.763.413	19.947.254	25.131.310	45.078.564

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

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

Prior Period December 31, 2020 Sectors/Counterparties	Risk Categories (*)																	TL	FC	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
Agricultural	-	-	-	-	-	-	85.688	-	-	30	-	-	-	-	-	-	-	3.495	82.223	85.718	
Farming and Raising Livestock	-	-	-	-	-	-	72.274	-	-	-	-	-	-	-	-	-	-	3.456	68.818	72.274	
Forestry	-	-	-	-	-	-	2	-	-	22	-	-	-	-	-	-	-	24	-	24	
Fishing	-	-	-	-	-	-	13.412	-	-	8	-	-	-	-	-	-	-	15	13.405	13.420	
Industry	-	-	33	-	-	-	11.421.817	-	169.952	117.100	-	-	-	-	-	-	-	4.642.010	7.066.892	11.708.902	
Mining and Quarrying	-	-	-	-	-	-	58.444	-	-	28	-	-	-	-	-	-	-	20.110	38.362	58.472	
Production	-	-	33	-	-	-	9.503.804	-	169.952	117.015	-	-	-	-	-	-	-	4.426.868	5.363.936	9.790.804	
Electricity, Gas, Water	-	-	-	-	-	-	1.859.569	-	-	57	-	-	-	-	-	-	-	195.032	1.664.594	1.859.626	
Construction	-	-	-	-	-	-	2.418.074	-	1.626.279	2.696	-	-	-	-	-	-	-	151.241	3.895.808	4.047.049	
Services	11.684.829	-	1	-	-	2.569.437	5.474.979	-	85.624	18.212	-	-	-	-	-	-	-	9.598.859	10.234.223	19.833.082	
Wholesale and Retail Trade	-	-	-	-	-	-	3.356.231	-	60.491	16.297	-	-	-	-	-	-	-	2.143.166	1.289.853	3.433.019	
Hotel and Beverage Service	-	-	-	-	-	-	233.708	-	22.588	1.535	-	-	-	-	-	-	-	12.357	245.474	257.831	
Transportation and Telecommunication	-	-	-	-	-	-	1.745.838	-	-	371	-	-	-	-	-	-	-	550.668	1.195.541	1.746.209	
Financial Institutions	11.684.829	-	-	-	-	2.569.437	30.492	-	-	-	-	-	-	-	-	-	-	6.788.418	7.496.340	14.284.758	
Real Estate and Lending Service	-	-	-	-	-	-	2.712	-	-	-	-	-	-	-	-	-	-	2.712	-	2.712	
Self-Employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education Service	-	-	1	-	-	-	3	-	-	6	-	-	-	-	-	-	-	10	-	10	
Health and Social Services	-	-	-	-	-	-	105.995	-	2.545	3	-	-	-	-	-	-	-	101.528	7.015	108.543	
Other	-	-	5	-	-	-	2.138.454	2.954.853	195.764	18.692	-	-	-	-	-	-	-	1.406.825	4.798.414	6.714.593	
TOTAL	11.684.829	-	39	-	-	2.569.437	21.539.012	2.954.853	2.077.619	156.730	-	-	-	-	-	-	-	1.406.825	19.194.019	23.195.325	42.389.344

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

1 Conditional and unconditional receivables from central governments or central banks

2 Conditional and unconditional receivables from regional governments or local governments

3 Conditional and unconditional receivables from administrative units and non-commercial enterprises

4 Conditional and unconditional receivables from multilateral development banks

5 Conditional and unconditional receivables from international organizations

6 Conditional and unconditional receivables from banks and brokerage houses

7 Conditional and unconditional corporate receivables

8 Conditional and unconditional retail receivables

9 Conditional and unconditional receivables secured by mortgages

10 Past due receivables

11 Receivables defined in high risk category by BRSA

12 Securities collateralized by mortgages

13 Securitization positions

14 Short-term receivables from to banks, brokerage houses and corporates

15 Investments of natured collective investment enterprise

16 Stock Investments

17 Other receivables

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II. EXPLANATIONS ON CREDIT RISK (Continued)

j. Term Distribution of Risks with Term Structure:

Current Period-Risk Categories (*)	Time to maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and conditional receivables from central governments or central banks	6.349.288	-	98.925	42.615	2.496.803
Conditional and conditional receivables from regional governments or local governments	-	-	-	-	-
Conditional and conditional receivables from administrative units and non-commercial enterprises	5	-	-	-	-
Conditional and conditional receivables from multilateral development Banks	-	-	-	-	-
Conditional and conditional receivables from international organizations	-	-	-	-	-
Conditional and conditional receivables from banks and brokerage houses	1.395.719	48.390	5.349	244.051	669.271
Conditional and conditional corporate receivables	4.746.320	4.028.278	4.771.610	5.393.675	6.843.750
Conditional and conditional retail receivables	2.261.099	120.110	44.954	182.027	861.566
Conditional and conditional receivables secured by mortgages	42	788	3.444	30.394	470.355
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	-	-	-	-	-
TOTAL	14.752.473	4.197.566	4.924.282	5.892.762	11.341.745

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration

Prior Period-Risk Categories (*)	Time to maturity				
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
Conditional and conditional receivables from central governments or central banks	5.688.114	5.682	78.342	279.040	4.668.647
Conditional and conditional receivables from regional governments or local governments	-	-	-	-	-
Conditional and conditional receivables from administrative units and non-commercial enterprises	38	-	-	-	1
Conditional and conditional receivables from multilateral development Banks	-	-	-	-	-
Conditional and conditional receivables from international organizations	-	-	-	-	-
Conditional and conditional receivables from banks and brokerage houses	175.066	65.152	560.025	1.164.451	579.453
Conditional and conditional corporate receivables	1.551.052	3.930.920	4.032.131	5.795.907	6.229.002
Conditional and conditional retail receivables	1.941.026	129.381	32.551	117.172	734.723
Conditional and conditional receivables secured by mortgages	103.653	233.096	4.904	8.662	1.727.304
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from to banks, brokerage houses and corporates	-	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	22.933	-	-	-	-
TOTAL	9.481.882	4.364.231	4.707.953	7.365.232	13.939.130

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration

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II. EXPLANATIONS ON CREDIT RISK (Continued)

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

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

Rating scores;

1. Receivables from Central Governments or Central Banks
2. Receivables from Banks and Brokerage Houses are used in risk classes

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

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

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

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II. EXPLANATIONS ON CREDIT RISK (Continued)

I. Risk Amounts According to Risk Weights:

December 31, 2021	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted From Equity
1.Amount Before Credit Risk Mitigation	12.341.047	-	1.573.932	-	831.431	2.594.245	27.306.312	431.597	-	-	-	293.763
2.Amount After Credit Risk Mitigation	12.341.047	-	1.573.932	78.660	2.324.049	2.365.501	25.773.732	286.025	-	-	-	293.204

December 31, 2020	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deducted From Equity
1.Amount Before Credit Risk Mitigation	12.596.863	-	245.760	-	2.295.810	3.072.627	24.140.432	37.852	-	-	-	249.340
2.Amount After Credit Risk Mitigation	12.596.863	-	660.192	140.352	5.169.904	2.766.175	21.103.688	37.231	-	-	-	249.340

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

Miscellaneous Information regarding Major Sectors or Counterparty Type:

Current Period	Credits		
	Significant Increase in Credit (Stage 2) (*)	Defaulted (Stage 3)	Provision of Expected Credit Losses (IFRS 9)
Agricultural	-	180	148
Farming and Raising livestock	-	60	36
Forestry	-	-	-
Fishing	-	120	112
Industry	3.242.414	127.151	60.761
Mining and Quarrying	52.994	553	512
Production	1.915.185	126.533	60.245
Electricity, Gas, Water	1.274.235	65	4
Construction	1.696.269	54.945	46.245
Services	3.029.987	30.978	12.816
Wholesale and Retail Trade	730.897	23.284	6.115
Hotel and Beverage Services	454.388	716	173
Transportation and Telecommunication	976.761	1.493	1.126
Financial Institutions	-	-	-
Real Estate and Lending Services	867.941	1.027	976
Self-Employment Services	-	67	48
Education Services	-	808	799
Health and Social Services	-	3.583	3.579
Other	354.801	135.492	125.648
Total	8.323.471	348.746	245.618

(*) Close monitoring amounts

(**) Represents Tier 3 loan loss provisions.

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II. EXPLANATIONS ON CREDIT RISK (Continued)

Prior Period	Credits		
	Significant Increase in Credit (Stage 2) (*)	Defaulted (Stage 3)	Provision of Expected Credit Losses (TFRS 9)
Major Sectors/Counterparties			
Agricultural	15.182	179	150
Farming and Raising livestock	-	62	39
Forestry	-	-	-
Fishing	15.182	117	111
Industry	2.422.108	255.006	155.092
Mining and Quarrying	29.650	638	1.160
Production	1.567.282	254.310	153.931
Electricity, Gas, Water	825.176	58	1
Construction	1.808.111	111.921	96.729
Services	2.487.127	33.765	15.590
Wholesale and Retail Trade	294.245	25.079	8.866
Hotel and Beverage Services	273.608	1.692	167
Transportation and Telecommunication	850.439	1.507	1.139
Financial Institutions	58.501	-	-
Real Estate and Lending Services	879.854	1.030	986
Self-Employment Services	120.000	74	55
Education Services	-	804	798
Health and Social Services	10.480	3.579	3.579
Other	408.409	220.770	210.210
Total	7.140.937	621.641	477.771

(*) Close monitoring amounts

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

Current Period	Opening	TFRS 9	Provisions	Provision	Other	Closing
December 31, 2021	Balance	Transition	during the	Reversals	Adjustments(*)	Balance
		Balance	period			
Specific Provisions	477.771	-	146.087	(144.907)	(233.333)	245.618
General Provisions (**)	1.157.925	-	472.695	(8.836)	-	1.621.784

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

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

Prior Period	Opening	TFRS 9	Provisions	Provision	Other	Closing
December 31, 2020	Balance	Transition	during the	Reversals	Adjustments(*)	Balance
		Balance	period			
Specific Provisions	486.995	-	76.170	(48.686)	(36.708)	477.771
General Provisions (**)	945.032	-	396.568	(183.675)	-	1.157.925

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

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

o. The movement of specific provision of the Parent Bank’s loan and other receivables:

	Commercial	Consumer	Credit Cards	Total
	Loans	Loans		
1 January 2021	178.301	99.124	200.346	477.771
Transferred during the period	74.542	17.753	53.792	146.087
Collection during the period	(94.784)	(15.973)	(34.150)	(144.907)
Write-off/sold	(76.099)	(55.129)	(102.105)	(233.333)
December 31, 2021	81.960	45.775	117.883	245.618

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II. EXPLANATIONS ON CREDIT RISK (Continued)

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2020	182.102	100.471	204.422	486.995
Transferred during the period	23.713	13.263	39.194	76.170
Collection during the period	(18.849)	(8.273)	(21.564)	(48.686)
Write-off/sold	(8.665)	(6.337)	(21.706)	(36.708)
December 31, 2020	178.301	99.124	200.346	477.771

p. Information on types of loans and provisions:

	Commercial Loans	Consumer Loans	Credit Cards	Total
Current Period - December 31, 2021				
Standard loans	18.365.271	1.254.345	1.832.090	21.451.706
Close monitoring loans	7.966.472	92.898	264.101	8.323.471
Non-performing loans	162.456	54.986	131.304	348.746
Specific provisions (-)	81.960	45.775	117.883	245.618
Total	26.412.239	1.356.454	2.109.612	29.878.305

(*) Includes the factoring receivables amounting to TL 286.586.

	Commercial Loans	Consumer Loans	Credit Cards	Total
Prior Period - December 31, 2020				
Standard loans	16.004.074	1.084.250	1.483.989	18.572.313
Close monitoring loans	6.711.762	115.342	313.833	7.140.937
Non-performing loans	291.700	113.287	216.654	621.641
Specific provisions (-)	178.301	99.124	200.346	477.771
Total	22.829.235	1.213.755	1.814.130	25.857.120

(*) Includes the factoring receivables amounting to TL 59.847.

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

	Current Period December 31, 2021 Collateral Value	Prior Period December 31, 2020 Collateral Value
Mortgages	135.906	193.016
Pledged Vehicle	2.395	8.968
Cheques and Notes	-	-
Cash	108	115
Total	138.409	202.099

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III. EXPLANATIONS ON CONSOLIDATED COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION

Current Period December 31, 2021	Private sector credit exposures in banking book	Risk weighted equivalent trading book	Total
Turkey	30.695.992	848.937	31.544.929
Great Britain	95.848	350.313	446.161
Germany	118.414	-	118.414
Spain	76.770	-	76.770
Romania	119	-	119
Canada	179.443	-	179.443
Republic of China	7.631	-	7.631
France	4.132	2.040	6.172
Japan	9.036	-	9.036
Sweden	8.731	-	8.731
Other	511.635	1.156	512.791

Prior Period December 31, 2020	Private sector credit exposures in banking book	Risk weighted equivalent trading book	Total
Turkey	28.702.791	704.628	29.407.419
Great Britain	82.874	320.050	402.924
Germany	98.534	76	98.610
Spain	63.137	-	63.137
Romania	68	-	68
Canada	135.595	-	135.595
Republic of China	16.024	-	16.024
France	13.265	306	13.571
Japan	19.875	-	19.875
Sweden	8.912	-	8.912
Other	332.309	1.156	333.465

IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

a) Exposed Risk of Foreign Currency, Estimations on The Effects of This Matter, Limits For The Daily Followed Positions are Determined By The Board of Directors:

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

b) Hedge Against Foreign Exchange Debt Instruments and Net Foreign Exchange Investments By Hedging Derivative Instruments, If Material:

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

c) Management Policy For Foreign Currency Risk:

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

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IV . EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

d) Current Foreign Exchange Bid Rates of The Parent Bank For The Last Five Business Days Prior to The Financial Statement Date:

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

Current Period – December 31, 2021	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	13,2798	15,0924
Prior Balance Sheet Date		
December 30, 2021	13,2234	14,9728
December 29, 2021	12,5957	14,3037
December 28, 2021	11,6821	13,2218
December 27, 2021	11,6821	13,2218
December 24, 2021	11,6821	13,2218
Prior Period – December 31, 2020	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	7,4267	9,1029
Prior Balance Sheet Date		
December 30, 2020		
December 29, 2020	7,3704	9,0579
December 28, 2020	7,3892	9,0510
December 25, 2020	7,5846	9,2506
December 24, 2020	7,5846	9,2506

e) The Simple Arithmetic Average of The Group’s Foreign Exchange Bid Rates For The Last Thirty Days Preceding The Balance Sheet Date For Major Foreign Currencies:

As of December 2021, the Group’s simple arithmetic average foreign exchange rate for USD is TL 13,7072 (December 2020: TL 7,7069) and exchange rate for Euro is TL 15,4922 (December 2020: TL 9,3823).

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IV . EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

f) Information Related to Group’s Currency Risk:

Current Period – December 31, 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	2.770.677	5.301.526	2.048.756	10.120.969
Banks	20.407	966.483	10.510	997.400
Financial Assets at Fair Value through Profit or Loss (Net) (***)	1.273.737	2.420.515	17.950	3.712.202
Interbank Money Market Placements	-	23.504.616	-	23.504.616
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	10.996.365	6.794.266	45	17.790.676
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	3.675	47.544	131	51.350
Total Assets	15.064.861	39.034.960	2.077.392	56.177.213
Liabilities				
Bank Deposits	151	35	1	187
Foreign Currency Deposits	10.678.528	24.231.603	10.185.992	45.096.123
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	1984832	956.981	886	2.942.699
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	1.885	768.691	7.480	778.056
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	1.622.625	3.273.338	38.116	4.934.079
Total Liabilities	14.288.021	29.230.648	10.232.475	53.751.144
Net on Balance Sheet Position (****)	776.840	9.804.312	(8.155.083)	2.426.069
Net Off-Balance Sheet Position (****)	(622.967)	(10.193.502)	8.146.892	(2.669.577)
Financial Derivative Assets	14.353.241	17.094.870	9.995.355	41.443.466
Financial Derivative Liabilities	14.976.208	27.288.372	1.848.463	44.113.043
Non-cash Loans	2.701.472	8.658.839	1.048.978	12.409.289
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 December 31, 2020, total loans amount consists foreign indexed loans amounting to TL 5.469 (December 31, 2020: TL 8.322).

(**) Other liabilities consists derivative financial liabilities amounting to TL 4.844.088 (December 31, 2020: TL 1.508.553).

(***) Financial assets at fair value through profit or loss consists derivative financial assets amounting to TL 3.579.534 (December 31, 2020: 1.611.884).

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

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IV . EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

As of December 31, 2021 and December 31, 2020, if Bank's foreign currency position had depreciated by 10% against TL with all other variables held constant, the changes in profit before tax and equity mainly as a result of foreign exchange losses are disclosed as following:

	Current Period December 31, 2021	
	Income Statement	Equity(*)
USD	(38.919)	(38.919)
EURO	15.387	15.387
Other	(819)	(819)
Total	(24.351)	(24.351)

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

	Prior Period December 31, 2020	
	Income Statement	Equity(*)
USD	27.888	27.888
EURO	20.330	20.330
Other	(1.634)	(1.634)
Total	46.584	46.584

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

As of December 31, 2021 and December 31, 2020, as a result of 10% appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

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

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

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

Current Period – December 31, 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 (*)	8.383.584	-	-	-	-	2.805.249	11.188.833
Banks (*)	931.888	-	-	-	-	91.603	1.023.491
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	344.891	729.094	989.656	1.958.161	76.928	5.567	4.104.297
Interbank Money Market Placements (*)	26.085.259	-	-	-	-	-	26.085.259
Financial Assets at Fair Value Through Other Comprehensive Income	1.011.757	-	124.149	2.381.830	139.320	-	3.657.056
Loans	7.677.841	3.106.622	9.706.823	6.520.805	1.206.252	103.128	28.321.471
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.135	-	52	8.111	-	1.345.799	1.355.097
Total Assets	44.436.355	3.835.716	10.820.680	10.868.907	1.422.500	4.351.346	75.735.504
Liabilities							
Bank Deposits	229.420	-	-	-	-	86.004	315.424
Other Deposits	25.333.573	4.221.938	979.358	4.674	-	27.070.774	57.610.317
Funds from Interbank Money Market	2.309.195	-	-	-	-	-	2.309.195
Miscellaneous Payables	-	-	-	-	-	1.273.407	1.273.407
Issued Marketable Securities (Net)	-	406.772	122.384	-	-	-	529.156
Funds Borrowed	1.984.777	-	957.036	-	-	886	2.942.699
Other Liabilities (**)(***)	662.897	770.179	2.469.336	2.313.054	45.653	4.494.187	10.755.306
Total Liabilities	30.519.862	5.398.889	4.528.114	2.317.728	45.653	32.925.258	75.735.504
Balance Sheet Long Position	13.916.493	-	6.292.566	8.551.179	1.376.847	-	30.137.085
Balance Sheet Short Position	-	(1.563.173)	-	-	-	(28.573.912)	(30.137.085)
Off-Balance Sheet Long Position	-	-	-	1.311	-	-	1.311
Off-Balance Sheet Short Position	(688.948)	(133.669)	(574.718)	-	-	-	(1.397.335)
Total Position	13.227.545	(1.696.842)	5.717.848	8.552.490	1.376.847	(28.573.912)	(1.396.024)

(*) 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 5.905.

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

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

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V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

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	-	-	-	-	-	29.677	29.677
Financial Assets at Fair Value Through Profit or Loss (Net) (*)	324.697	524.241	436.500	361.959	728.490	5.566	2.381.453
Interbank Money Market Placements	3.333.610	-	-	-	-	-	3.333.610
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	346.278	4.538.035	130.612	-	5.014.925
Loans	3.870.997	4.745.879	8.716.915	6.260.141	988.494	143.870	24.726.296
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	924	-	43	32.317	-	905.161	938.445
Total Assets	13.659.302	5.270.120	9.499.736	11.192.452	1.847.596	2.046.219	43.515.425
Liabilities							
Bank Deposits	497.127	-	-	-	-	163.952	661.079
Other Deposits	12.915.713	2.686.565	261.284	1.515	-	14.396.922	30.261.999
Funds from Interbank Money Market	1.242.251	-	-	-	-	-	1.242.251
Miscellaneous Payables	-	-	-	-	-	636.998	636.998
Issued Marketable Securities (Net)	-	-	951.920	-	-	-	951.920
Funds Borrowed	2.212.461	1.199.809	171.755	-	-	-	3.584.025
Other Liabilities (**)	309.087	462.084	545.320	607.884	620.640	3.632.138	6.177.153
Total Liabilities	17.176.639	4.348.458	1.930.279	609.399	620.640	18.830.010	43.515.425
Balance Sheet Long Position	-	921.662	7.569.457	10.583.053	1.226.956	-	20.301.128
Balance Sheet Short Position	(3.517.337)	-	-	-	-	(16.783.791)	(20.301.128)
Off-Balance Sheet Long Position	-	-	172.291	-	-	-	172.291
Off-Balance Sheet Short Position	(602.601)	(22.845)	-	(14.500)	-	-	(639.946)
Total Position	(4.119.938)	898.817	7.741.748	10.568.553	1.226.956	(16.783.791)	(467.655)

(*) Cash Assets, (Safety, Effective Deposit, Money in the Way, Checks Purchased) Receivables from CBRT, Banks and Money Markets items include the expected loss provision balance amounting to TL 2.437.

(**) 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 – December 31, 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	-	-	-	8,50
Banks	-	0,03	-	16,35
Financial Assets at Fair Value Through Profit or Loss (Net)	5,25	6,69	-	17,76
Interbank Money Market Placements	-	0,03	-	14,48
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	17,09
Loans	3,55	4,13	-	19,15
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	12,27
Other Deposits	0,06	0,30	-	15,26
Funds From Interbank Money Market	-	-	-	14,00
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	17,56
Funds Provided from Other Financial Institutions	6,44	1,84	-	-

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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	-	14,18
Interbank Money Market Placements	-	0,06	-	17,99
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	14,62
Loans	3,83	4,45	-	12,52
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	11,56
Other Deposits	0,07	0,38	-	12,87
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	-	-

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

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

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

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

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V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

December 31, 2021	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(147.294)	%(2,18)
2. TL	(400)	137.109	%2,03
3. EURO	200	(43.575)	%(0,64)
4. EURO	(200)	1.183	%0,02
5. USD	200	(14.855)	%(0,22)
6. USD	(200)	14.872	%0,22
Total (of Negative Shocks)		153.164	%2,27
Total (of Positive Shocks)		(205.724)	%(3,04)
December 31, 2020			
Type of Currency			
1. TL	500	(460.570)	%(8,84)
2. TL	(400)	429.461	%8,25
3. EURO	200	(47.005)	%(0,90)
4. EURO	(200)	(11.902)	%(0,23)
5. USD	200	14.961	%0,29
6. USD	(200)	(1.325)	%(0,03)
Total (of Negative Shocks)		416.234	%7,99
Total (of Positive Shocks)		(492.614)	%(9,46)

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

Position risk of equity securities in banking book:

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

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

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

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

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

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

In addition, current and planned liquidity positions of 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 Parent Bank liquidity and prevention exceeding limits by comparing the current situation regarding to the balance sheet structure of business line with the approved limit usage of strategic funding plans and liquidity.

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

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

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

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

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

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

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

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

Information on liquidity risk mitigation techniques:

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

Explanation of the usage of stress test:

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

General Information on liquidity emergency and contingency plans:

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

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

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

a) Liquidity Coverage Rate:

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

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

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

Explanation regarding the components of high quality liquid assets:

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

Components density of fund resources in all funds:

The Parent Bank’s founding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for founding consists 64% of total liabilities.

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

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

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

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

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

Current Period – 31.12.2021	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			28.754.225	24.293.354
Cash Outflows				
Real person and retail deposits	33.196.203	26.513.400	3.214.410	2.651.340
Stable deposits	2.104.205	-	105.210	-
Less stable deposits	31.091.998	26.513.400	3.109.200	2.651.340
Unsecured debts other than real person and retail deposits	19.234.262	12.085.765	8.762.461	5.019.534
Operational deposits	-	-	-	-
Non-operational deposits	18.289.944	12.010.631	7.818.143	4.944.400
Other unsecured debts	944.318	75.134	944.318	75.134
Secured debts	-	-	-	-
Other cash outflows	1.410.059	5.051.811	1.410.059	5.051.811
Derivative liabilities and collateral completion liabilities	1.410.059	5.051.811	1.410.059	5.051.811
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	16.196.305	10.507.557	1.975.033	1.544.624
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			15.361.963	14.267.309
Cash Inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	7.166.056	4.313.574	5.330.868	3.496.686
Other cash inflows	578.325	4.112.540	578.325	4.112.540
TOTAL CASH INFLOWS	7.744.381	8.426.114	5.909.193	7.609.227
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			28.754.225	24.293.354
TOTAL NET CASH OUTFLOWS			9.452.770	6.658.082
LIQUIDITY COVERAGE RATIO (%)			304,19	364,87

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

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

	Current Period - 31.12.2021	
	TL+FC	FC
Highest (%)	383,04	581,29
Date	04.11.2021	01.12.2021
Lowest (%)	246,98	233,79
Date	18.11.2021	08.10.2021
Average (%)	304,19	364,87

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

Prior Period – 31.12.2020	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			10.189.172	6.918.562
Cash Outflows				
Real person and retail deposits	22.257.478	17.740.468	2.139.560	1.774.047
Stable deposits	1.723.748	-	86.187	-
Less stable deposits	20.533.730	17.740.468	2.053.373	1.774.047
Unsecured debts other than real person and retail deposits	10.137.859	5.530.064	4.858.435	2.307.234
Operational deposits	-	-	-	-
Non-operational deposits	9.718.022	5.502.238	4.438.598	2.279.408
Other unsecured debts	419.837	27.826	419.837	27.826
Secured debts	-	-	-	-
Other cash outflows	1.199.660	3.268.200	1.199.660	3.268.200
Derivative liabilities and collateral completion liabilities	1.199.660	3.268.200	1.199.660	3.268.200
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	9.983.846	4.588.274	1.223.546	829.342
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			9.421.201	8.178.823
Cash Inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.360.776	2.683.434	3.686.599	2.444.474
Other cash inflows	212.386	4.257.888	212.387	4.257.889
TOTAL CASH INFLOWS	4.573.162	6.941.322	3.898.986	6.702.363
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			10.189.172	6.918.562
TOTAL NET CASH OUTFLOWS			5.522.215	2.044.706
LIQUIDITY COVERAGE RATIO (%)			184,51	338,36

(*) 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 (%)	307,17	429,62
Date	23.11.2020	17.11.2020
Lowest (%)	153,40	178,23
Date	17.12.2020	12.10.2020
Average (%)	184,51	338,36

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

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

Current Period – December 31, 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 ^(****)	2.805.249	8.383.584	-	-	-	-	-	11.188.833
Banks ^(****)	91.603	931.888	-	-	-	-	-	1.023.491
Financial Assets at Fair Value through Profit or Loss (Net) ^(***)	-	273.347	396.954	1.025.518	2.296.514	106.397	5.567	4.104.297
Interbank Money Market Placements ^(****)	-	26.085.259	-	-	-	-	-	26.085.259
Financial Assets at Fair Value through Other Comprehensive Income	-	1.031.368	-	128.885	2.357.483	139.320	-	3.657.056
Loans	-	6.322.476	3.828.140	9.738.932	7.105.436	1.223.359	103.128	28.321.471
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets ^(*)	-	1.135	-	52	8.111	-	1.345.799	1.355.097
Total Assets	2.896.852	43.029.057	4.225.094	10.893.387	11.767.544	1.469.076	1.454.494	75.735.504
Liabilities								
Bank Deposits	86.004	229.420	-	-	-	-	-	315.424
Other Deposits	27.070.774	25.333.573	4.221.938	979.358	4.674	-	-	57.610.317
Funds Provided from Other Financial Institutions	-	2.309.195	-	-	-	-	-	2.309.195
Money Market Borrowings	-	-	11.056	-	-	-	1.262.351	1.273.407
Issued Marketable Securities (Net)	-	-	406.772	122.384	-	-	-	529.156
Miscellaneous Payables	886	-	-	957.036	-	1.984.777	-	2.942.699
Other Liabilities ^{(*) (**)}	-	649.253	619.853	2.478.351	2.477.962	45.653	4.484.234	10.755.306
Total Liabilities	27.157.664	28.521.441	5.259.619	4.537.129	2.482.636	2.030.430	5.746.585	75.735.504
Net Liquidity Excess / (Gap)	(24.260.812)	14.507.616	(1.034.525)	6.356.258	9.284.908	(561.354)	(4.292.091)	-
Net Off Balance Sheet Position								
Derivative Financial Assets	-	(376.689)	(218.931)	(550.039)	86.572	-	-	(1.059.087)
Derivative Financial Liabilities	-	25.419.365	9,056.242	16,332.507	16,806.416	1,576.793	-	69,191.323
Non-cash Loans	10,522,670	491,879	304,978	2,351,744	35,755	1,084	-	13,708,110
Prior Period – December 31, 2020								
Total Assets	991.622	12.541.536	4.448.700	10.761.352	11.662.908	2.054.710	1.054.597	43.515.425
Total Liabilities	14.560.874	14.896.614	3.682.796	2.932.880	2.375.923	802.477	4.263.861	43.515.425
Net Liquidity Excess / (Gap)	(13,569,252)	(2,355,078)	765,904	7,828,472	9,286,985	1,252,233	(3,209,264)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(605.147)	(36.195)	170.872	2.815	-	-	(467.655)
Derivative Financial Liabilities	-	35.757.031	7.566.225	8.267.709	11.014.865	6.906.647	-	69.512.477
Non-cash Loans	5,041,745	103,215	282,423	810,991	40,768	615	-	6,279,757

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

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

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

(****) Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT, Banks and interbank money market balances consist of expected credit losses amounting to TL 5.905.

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

Current Period - December 31, 2021	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Bank Deposits	86.004	230.031	-	-	-	-	316.035
Other Deposits	27.070.774	25.353.528	4.273.710	1.020.331	5.968	-	57.724.311
Payables to Money Market	-	2.310.201	-	-	-	-	2.310.201
Marketable Securities Issued	-	-	-	550.840	-	-	550.840
Borrowings	886	-	-	957.076	-	1.994.523	2.952.485
Total	27.157.664	27.893.760	4.273.710	2.528.247	5.968	1.994.523	63.853.872

Prior Period - December 31, 2020	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Bank Deposits	163.952	497.232	-	-	-	-	661.184
Other Deposits	14.396.922	12.921.030	2.704.538	267.244	1.719	-	30.291.453
Payables to Money Market	-	1.244.159	-	-	-	-	1.244.159
Borrowings	-	-	-	1.000.000	-	-	1.000.000
Loans Received	-	-	743.867	1.201.965	1.964.244	-	3.910.076
Total	14.560.874	14.662.421	3.448.405	2.469.209	1.965.963	-	37.106.872

d. Information on Securisation Position:

None.

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

Current Period - December 31, 2021	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Foreign exchange derivatives:						
- Inflow	21.718.442	7.714.370	10.937.936	9.265.843	-	49.636.591
- Outflow	22.115.112	7.926.724	11.483.195	9.179.523	-	50.704.554
Interest rate derivatives:						
- Inflow	-	1.968	32.977	93.577	29.468	157.990
- Outflow	-	29	11.923	42.148	-	54.100
Total Inflow	21.718.442	7.716.338	10.970.913	9.359.420	29.468	49.794.581
Total Outflow	22.115.112	7.926.753	11.495.118	9.221.671	-	50.758.654

Prior Period - December 31, 2020	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 – 5 Years	5 Years and Over	Total
Foreign exchange derivatives:						
- Inflow	29.888.004	5.121.472	7.053.702	4.392.904	5.645.290	52.101.372
- Outflow	29.976.607	5.157.842	6.881.411	4.390.090	5.645.290	52.051.240
Interest rate derivatives:						
- Inflow	-	7.667	7.682	61.983	25.224	102.556
- Outflow	-	5.707	1.213	21.809	2.602	31.331
Total Inflow	29.888.004	5.129.139	7.061.384	4.454.887	5.670.514	52.203.928
Total Outflow	29.976.607	5.163.549	6.882.624	4.411.899	5.647.892	52.082.571

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VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

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

	Current Period 31.12.2021 (*)	Prior Period 31.12.2020 (*)
Assets On the Balance Sheet		
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	48.956.470	44.770.911
2 (Assets deducted from core capital)	(255.492)	(210.319)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	48.700.978	44.560.592
Derivative Financial Instruments and Loan Derivatives		
4 Renewal cost of derivative financial instruments and loan derivatives	(338.428)	884.240
5 Potential credit risk amount of derivative financial instruments and loan derivatives	1.931.415	345.254
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.592.987	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)	213.345	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)	213.345	73.322
Off-the-Balance Sheet Transactions		
10 Gross nominal amount of the off-the-balance sheet transactions	25.439.768	21.956.834
11 Adjustment amount arising from multiplying by the credit conversion rate	-	-
12 Total risk amount for off-the-balance sheet transactions (sum of lines 10 and 11)	25.439.768	21.956.834
Capital and Total Risk		
13 Core capital	4.119.187	3.618.495
14 Total risk amount (sum of lines 3,6,9 and 12)	75.947.078	67.820.242
Transition Process Unapplied Leverage Ratio		
15 Transition process unapplied leverage ratio (%)	5,42	5,34

(*) Table represents three month average amounts.

	Current Period 31.12.2021 (**)	Prior Period 31.12.2020 (**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*)	68.847.205	47.842.432
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	949.161	594.445
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(1.931.415)	(345.254)
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	21.082.985	6.894.395
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the Communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
Total risk amount	75.947.078	67.820.242

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

(**) Table represents three month average amounts.

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IX. EXPLANATIONS ON RISK MANAGEMENT

Footnotes and related explanations prepared in accordance with the “Communiqué on Risk Management by Banks to Public Disclosures” published in the Official Gazette No. 29511 on October 23, 2015 and entered into force as of March 31, 2016 are given in this section. The following tables, which are required to be submitted quarterly in accordance with the relevant communiqué, have not been presented as of 31 December 2021, as the standard approach is used in the Group's capital adequacy calculation

- Change table of RAV under IRB (Intrinsic Rating Based) approach
- RAV changes regarding KKR within the scope of Internal Model Method
- Market risk RAV change table according to the internal model approach

a) General Explanations on Risk Management and Risk Weighted Amounts:

1. The Parent Bank's risk management approach:

It is the responsibility of the Bank's Board of Directors to ensure risk management and monitor its effectiveness. The Board of Directors establishes and approves the policies regarding the risk management activities of the Parent Bank, periodically reviews its implementation, and takes the necessary measures to establish and maintain a risk management system within the Bank in accordance with local regulations.

The Board of Directors clearly includes the risk management system in the management structure of the Parent Bank in accordance with the principles determined in the relevant regulations and legal legislation; It determines the principles and procedures regarding the administrative structure of this system, the recruitment of personnel and ensuring its continuity. Board of Directors; It examines the Parent Bank's Senior Management and Risk Management Unit's evaluations regarding the Parent Bank's risk management process, and evaluates the reliability and adequacy of the Parent Bank's risk management models. Takes necessary precautions. The Board of Directors determines in writing the strategies, policies and implementation procedures regarding the activities of the units within the scope of internal systems, ensures their effective implementation and maintenance, coordination with each other and allocation of necessary resources. The Board of Directors is informed about the risks that the Parent Bank is exposed to and the measurement methods and management of these risks. It determines in writing the policies and strategies of the Parent Bank regarding risk management in general and for each risk type, the level of risk it can take and the implementation procedures regarding these, and allocates maximum risk limits for units and managers or personnel working in these units. By determining the bank's risk appetite, it approves the policies regarding the taking, monitoring, management and reporting of risks that will significantly affect its income and expenses, and approves the changes in these policies and oversees their implementation.

It ensures that the senior management provides timely and reliable reports on the important risks faced by the Parent Bank, determines the data management policies, creates and implements the control processes to ensure the most effective functioning of the relevant systems.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

The Board of Directors is responsible for establishing and implementing the Internal Capital Adequacy Assessment Process (İSEDES) and fulfilling other responsibilities specified in the Regulation. The Board of Directors maintains its oversight responsibility through the Audit Committee, Risk Management Committee, Asset-Liability Management Committee and other relevant committees to ensure continuous oversight.

The managers of the Internal Systems Units report to the Bank's Board of Directors, reporting to the Independent Board Member responsible for Internal Systems. HSBC Bank A.Ş. The Board of Directors is ultimately responsible for the establishment and execution of Internal Systems in accordance with the legislation. Audit Committee; By observing, on behalf of the Board of Directors, the efficiency and adequacy of the bank's internal systems, the functioning of these systems and accounting and reporting systems within the framework of the Law and related regulations, and the integrity of the information produced; To make necessary preliminary assessments in the selection of independent audit firms and rating, valuation and support service institutions by the Board of Directors, to regularly monitor the activities of these institutions, which are selected and contracted by the Board of Directors; Ensuring the continuation and coordination of the internal audit activities of companies subject to consolidation in accordance with the regulations enacted pursuant to the law; Establishing communication channels that will enable the personnel of the units within the scope of Internal Systems to reach him directly; making suggestions to the Board of Directors regarding the election of the managers of these units; By giving an opinion during the dismissal of the Board of Directors; taking the opinions and suggestions of the senior management regarding the internal systems and evaluating them; making suggestions about the qualifications to be sought in the personnel who will work in the units within the scope of internal systems, evaluating the vocational education levels and competence of the managers and personnel working in the internal systems; It is responsible and responsible for assessing whether the necessary methods, tools and implementation procedures exist for the identification, measurement, monitoring and control of the risks borne by the Parent Bank, and for fulfilling other obligations specified in the Regulation. The audit committee is responsible for establishing the audit and control process that will provide the necessary assurance about the adequacy and accuracy of İSEDES and overseeing the internal validation of the risk measurement methodology based on the economic and/or legal capital adequacy model used by the Parent Bank. In case the Parent Bank does not have the expertise or is insufficient for the validation of the internal model, getting support from an expert institution is approved and monitored by the Audit Committee.

The Risk Management Committee is responsible for the supervision and management of all risks affecting the Parent Bank. Its main areas of focus are risk policies, risk appetite and risk concentrations. The main focus of the Committee is to evaluate the changes in the activities of the business lines or the markets in which the business lines operate, to analyze the effects of possible risks and to address these risks accordingly. The committee is tasked with the following responsibilities:

- Guiding and solving issues related to risk policies and risk management,
- Assess current and potential major risks to exposure in the rapidly changing business and political environment,
- To monitor and supervise the management of significant risks,
- To ensure the formation of an appropriate risk culture.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

The main responsibilities of the Assets and Liabilities Committee (APKO) are;

- Providing continuous tactical guidance in order to create a constantly improving balance sheet structure within the framework of the foreseen risk parameters and in line with the Parent Bank's performance targets,
- Monitoring the risks that may be exposed in terms of assets, liabilities and capital management and determining their effects,
- Providing a forum environment where issues related to asset-liability management can be discussed,
- Facilitating teamwork between different business lines and units,
- Finalizing inter-departmental issues such as transfer pricing and efficient allocation of resources,
- Reviewing funding sources and fund usage areas,
- Observing capital adequacy, ensuring its management within legal and internal limits, and reviewing the İSEDES process and documents,
- Monitoring the external factors related to banking with a future-oriented perspective, determining the most likely scenarios in terms of asset-liability planning, reviewing emergency plans,
- Evaluation of alternative scenarios including interest, pricing and portfolio structure, reviewing the distribution of asset-liability and maturity structure.

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

The Risk Management Unit consists of a unit manager and a sufficient number of personnel independent from the executive units. The Risk Management Unit reports to the Bank's Board of Directors, reporting to the Independent Board Member responsible for Internal Systems.

Risk Management Unit; It is responsible for carrying out the risk management activities outlined in the Banking Law, the Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Assessment Process, the Capital Markets Law, the guides published by the Board to set forth good practices in risk management, and other legal regulations. The main task of the Risk Management Unit has been determined as the identification, measurement, monitoring, control and reporting of risks. The Risk Management Unit provides the necessary training and consultancy to the business lines in order to increase risk management awareness and ensure the effective implementation of the risk management framework throughout the bank. It reviews the adequacy of the Risk Control Assessment studies and control follow-up activities of the business lines. It ensures the determination of key indicators to monitor the risk level of high-risk points, ensures the preparation and monitoring of risk-reducing action plans. It ensures adequate root cause analysis according to the nature of the damages and establishes the necessary surveillance and follow-up mechanisms for the timely completion of the necessary actions by the business lines. It gives an opinion on the new products or changes in the existing products of the bank and oversees the effectiveness of the new product management process for the effective management of risks. It analyzes the results of the risk control assessment, the outcome of the actions, possible losses and operational losses, and shares the relevant reports with the Risk Management Committee. The Risk Management Unit carries out its activities in coordination with the Internal Control Unit, which is responsible for evaluating the control effectiveness in the operational risk management process, the Credit and Risk Unit, which is responsible for credit risk, and the Financial Control - Asset-Liability and Capital Management Unit, which is responsible for market risk.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Stress Tests

Stress tests are carried out and reported by the Risk Management Unit and related units. The results of the stress tests are regularly reported to the Stress Test Supervision Committee, the Parent Bank's Senior Management and related management levels by the Risk Management Unit and related units. Within the scope of stress tests, the Parent Bank regularly applies Sensitivity Analyzes and Scenario Analyzes covering market risk, currency risk, liquidity risk, credit risk, counterparty credit risk, concentration risk, operational risk and interest rate risk arising from banking accounts. When deemed necessary, additional stress tests may be applied depending on market and economic conditions, portfolio changes and legislative changes. In addition, universal stress tests are carried out to be used within the scope of İSEDES.

	Risk Weighted Amounts		Minimum
	Current Period December 31, 2021	Prior Period December 31, 2020	Capital Requirements Current Period December 31, 2021
Credit risk (excluding counterparty credit risk)	28.378.634	24.885.622	2.270.291
Standardised approach	28.378.634	24.885.622	2.270.291
Internal rating-based approach	-	-	-
Counterparty credit risk	1.102.603	1.114.658	88.208
Standardised approach for counterparty credit risk	1.102.603	1.114.658	88.208
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	2.724.325	1.523.913	217.946
Standardised approach	2.724.325	1.523.913	217.946
Internal model approaches	-	-	-
Operational risk	3.593.201	2.968.854	287.456
Basic indicator approach	3.593.201	2.968.854	287.456
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	35.798.763	30.493.047	2.863.901

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

b. Linkages between financial statements and risk amounts

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

Current Period December 31, 2021	Carrying Values in Financial Statements Prepared as per TAS	Carrying values of items in accordance with TAS			Not Subject to Capital Requirements or Subject to Deduction from Capital
		Subject to Credit Risk	Subject to Counterparty Credit Risk	Subject to Market Risk	
Assets					
Cash and balances and the CBRT	11.188.833	11.188.833			
Banks	1.023.491	1.023.491			
Interbank Money market placements	26.085.259		26.085.259	26.085.259	
Financial assets at fair value through profit or loss	228.352			228.352	
Financial Assets at Fair Value Through Other Comprehensive Income	3.657.056	3.657.056			
Financial Assets Measured at Amortised Cost					
Derivative Financial Assets	3.875.945		3.875.945	3.875.945	
Loans (Net)	28.321.471	28.298.846			22.625
Assets held for sale and assets of discontinued operations (net)					
Subsidiaries(net)					
Associates (net)	220	220			
Joint ventures (net)					
Tangible assets (net)	186.546	186.546			28.443
Intangible assets (net)	242.695				242.695
Investment property (net)					
Tax assets					
Deferred tax assets	668.979	668.979			
Other assets	256.657	270.261			
Total Assets	75.735.504	45.294.232	29.961.204	30.189.556	293.763
Liabilities					
Deposits	57.925.741				57.925.741
Funds borrowed	957.868				957.868
Interbank money markets	2.309.195		2.309.195	2.309.195	
Marketable Securities issued	529.156				529.156
Funds					
Financial liabilities at fair value through profit or loss					
Derivative Financial Assets	4.975.272		4.975.272	4.975.272	
Factoring payables					
Lease payables	102.267				102.267
Provisions	211.029				211.029
Tax liability	647.271				
Deferred tax assets					
Liabilities held for sale and liabilities of discontinued operations (net)					
Subordinated debt	1.984.831				1.984.831
Other liabilities	1.673.420				1.673.420
Shareholders' Equity	4.419.454				4.419.454
Total Liabilities	75.735.504	-	7.284.467	7.284.467	67.803.766

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

	Carrying Values in Financial Statements Prepared as per TAS	Carrying values of items in accordance with TAS			
		Subject to Credit Risk	Carrying Values in Financial Statements Prepared as per TAS	Subject to Credit Risk	Carrying Values in Financial Statements Prepared as per TAS
Prior Period December 31, 2020					
Assets					
Cash and balances and the CBRT	7.091.019	7.091.019	-	-	-
Banks	29.677	29.677	-	-	-
Interbank Money market placements	3.333.610	-	3.333.610	3.333.610	-
Financial assets at fair value through profit or loss	360.645	-	-	360.645	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.014.925	5.014.926	-	-	-
Financial Assets Measured at Amortised Cost	-	-	-	-	-
Derivative Financial Assets	2.020.808	-	2.020.808	2.020.808	-
Loans (Net)	24.726.296	24.726.296	-	-	-
Assets held for sale and assets of discontinued operations (net)	1.221	1.221	-	-	-
Subsidiaries(net)	-	-	-	-	-
Associates (net)	220	220	-	-	-
Joint ventures (net)	-	-	-	-	-
Tangible assets (net)	221.432	221.432	-	-	30.488
Intangible assets (net)	181.806	-	-	-	181.806
Investment property (net)	-	-	-	-	-
Tax assets	-	-	-	-	-
Deferred tax assets	257.441	257.441	-	-	-
Other assets	276.325	252.479	-	-	13.596
Total Assets	43.515.425	37.594.711	5.354.418	5.715.063	225.890
Liabilities					
Deposits	30.923.078	-	-	-	30.923.078
Funds borrowed	1.931.228	-	-	-	1.931.228
Interbank money markets	1.242.251	-	-	-	1.242.251
Marketable Securities issued	951.920	-	-	-	951.920
Funds	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-
Derivative Financial Assets	1.883.171	-	1.883.171	1.883.171	-
Factoring payables	-	-	-	-	-
Lease payables	102.956	-	-	-	102.956
Provisions	184.731	-	-	-	184.731
Tax liability	122.431	-	-	-	-
Deferred tax assets	-	-	-	-	-
Liabilities held for sale and liabilities of discontinued operations (net)	-	-	-	-	-
Subordinated debt	1.652.797	-	-	-	1.652.797
Other liabilities	938.923	-	-	-	938.923
Shareholders' Equity	3.581.939	-	-	-	3.581.939
Total Liabilities	43.515.425	-	1.883.171	1.883.171	41.509.823

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period				
December 31, 2021	Total	Subject to credit risk	Subject to counterparty credit risk	Subject to market risk
Asset carrying value amount under scope of regulatory consolidation	75.735.504	45.294.232	29.961.204	30.189.556
Liabilities carrying value amount under regulatory scope of consolidation	4.975.272	-	7.284.467	7.284.467
Total net amount under regulatory scope of consolidation	80.710.776	45.294.232	37.245.671	37.474.023
Off-balance sheet amounts	-	18.271.108	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	1.556.584	-	-
Differences due to applications of BRSA	-	(21.226.944)	(36.043.225)	-
Differences due to risk reduction	-	(693.664)	-	-
Credit valuation adjustment	-	-	339.184	-
Risk Amounts	-	43.201.316	1.541.630	37.474.023

Prior Period				
December 31, 2020	Total	Subject to credit risk	Subject to counterparty credit risk	Subject to market risk
Asset carrying value amount under scope of regulatory consolidation	43.515.425	37.594.711	5.354.418	5.715.063
Liabilities carrying value amount under regulatory scope of consolidation	1.883.171	-	1.883.171	1.883.171
Total net amount under regulatory scope of consolidation	45.398.596	37.594.711	7.237.589	7.598.234
Off-balance sheet amounts	-	11.361.861	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-
Differences due to consideration of provisions	-	1.118.104	-	-
Differences due to applications of BRSA	-	(8.694.743)	(6.212.584)	-
Differences due to risk reduction	-	(270.341)	-	-
Credit valuation adjustment	-	-	339.808	-
Risk Amounts	-	41.109.592	1.364.813	7.598.234

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XI. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

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

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

Explanations on the differences between the amounts valued in accordance with TAS and the risk amounts There is no difference between the amounts reported in the financial statements in accordance with TAS and the amounts evaluated in accordance with TAS within the scope of legal consolidation. Fair value calculations the Group makes for financial instruments are evaluated either at market value or using a model value based on product types. Valuation is carried out using “fair value measurement” in accordance with the valuation principles stated in the regulations appendix of the Group’s Capital Adequacy Measurement and Assessment. While the Group benefits from market prices for bonds, future contracts traded at the organised markets, it uses platforms producing model values for derivative transactions usually traded in over-the-counter markets. Valuations based on market or model value are made daily, and changes occurring in the market can be reflected to the Group’s financials daily.

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

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

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

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

c. General Information on Credit Risk

1. General qualitative information about credit risk:

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

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

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

2. Credit Quality of Assets

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

Current Period December 31, 2021	Gross carrying values of (according to TAS)		Allowances / Amortisation and Impairments	Net Values
	Defaulted Exposures	Non-defaulted Exposures		
Loans(*)	348.746	29.775.177	245.618	29.878.305
Debt Securities	-	3.994.565	109.157	3.885.408
Off-balance sheet exposure	5.482	26.107.719	1.603	26.111.598
Total	354.228	59.877.461	356.378	59.875.311

(*) Also includes factoring receivables amounting to TL 286.586.

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Prior Period December 31, 2020	Gross carrying values of (according to TAS)		Allowances / Amortisation and Impairments	Net Values
	Defaulted Exposures	Defaulted Exposures		
Loans(*)	621.641	25.713.250	477.771	25.857.120
Debt Securities	-	5.387.746	12.176	5.375.570
Off-balance sheet exposure	5.464	25.064.885	1.793	25.068.556
Total	627.105	56.165.881	491.740	56.301.246

(*) Also includes factoring receivables amounting to TL 59.847.

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

	Current Period December 31, 2021	Prior Period December 31, 2020
I. Defaulted loans and debt securities at end of the previous reporting period	627.105	714.495
II. Loans and debt securities that have defaulted since the last reporting period	64.216	48.775
III. Returned to non-defaulted status	-	-
IV. Amounts written-off	257.341	38.177
V. Other Changes (*)	(79.752)	(97.988)
VI. Defaulted loans and debt securities at end of the reporting period end (I+II-III-IV±V)	354.228	627.105

(*) Includes current period collections.

4. Additional explanations on credit quality of assets

- Collection of principal or interest or both is delayed by more than 90 days from the due date or due date.
- The debtor's own funds or the guarantees given are insufficient to meet the payment of the debt on due date, the collection of which is limited and the observed problems are likely to cause loss if not corrected, or
- The creditworthiness of the debtor is weakened and the credit is considered to be weakened, or
- It is believed that the collection of principal or interest or both will be delayed more than 90 days from the due date or due date due to the debtor's difficulties in financing working capital or creating additional liquidity.

Loans and receivables are classified as ‘non performing loans’ and are transferred to non performing loan accounts. Within the scope of the same regulation, these loans are set aside for the expected credit loss according to the internal models developed by the Parent Bank.

In accordance with the regulation; in the event that failure to meet payment obligations towards banks stems from temporary liquidity difficulties related to the loans and other receivables as part of the principles of classification, loans and other receivables including any overdue interest may be restructured or subject to a new redemption plan for the purpose of providing debtors with liquidity capability and ensuring recovery of receivables by Parent Bank.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

i. Breakdown by geographical area:

	Current Period December 31, 2021	Prior Period December 31, 2020
Domestic	29.329.776	25.336.102
European Union Countries	156.365	137.681
USA, Canada	272.561	176.625
OECD Countries (*)	53	179
Off-Shore Banking Regions	-	6.009
Other	16.422	56.654
Total (**)	29.775.177	25.713.250

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

(**) Also includes factoring receivables amounting to TL 286.586. (December 31, 2020: TL 59.847)

ii. Breakdown by sector:

	Current Period December 31, 2021	Prior Period December 31, 2020
Agriculture	98.937	93.122
Farming and Raising Livestock	98.937	77.940
Forestry	-	-
Fishery	-	15.182
Manufacturing	15.801.565	10.778.578
Mining and Quarrying	52.994	60.047
Production	13.063.248	8.903.111
Electricity, Gas and Water	2.685.323	1.815.420
Construction	2.595.351	3.577.911
Services	8.287.209	8.746.072
Wholesale and Retail Trade	2.784.010	2.780.593
Accommodation and Dining	454.388	276.284
Transportation and Telecom	1.588.746	1.536.984
Financial Institutions	411.657	1.820.522
Real Estate and Rental Services	2.991.618	2.070.741
Self-Employment Services	56.790	161.468
Educational Services	-	-
Health and Social Services	-	99.480
Other	2.992.115	2.517.567
Total (*)	29.775.177	25.713.250

(*) Also includes factoring receivables amounting to TL 286.586. (December 31, 2020: TL 59.847)

5. Remaining maturity distribution of receivables:

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

6. Provisions booked for receivables based on sector:

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

7. Provisions booked for receivables based on geographical area:

Non-performing loans and provision amounts are mainly domestic. Specific provisions amounting to TL 348.746 are booked for domestic non-performing loan risk amount of TL 245.618.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

a) Aging analysis of accounting overdue exposures:

	December 31, 2021	December 31, 2020
30-60 days overdue exposures	35.129	41.364
60-90 days overdue exposures	13.554	43.824
Total	48.683	85.188

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

	December 31, 2021	December 31, 2020
Loans Structured from Standard Loans and Other Receivables	-	-
Loans Composed of Follow-on Loans and Other Receivables	3.170.988	2.450.665
Loans Restructured from Non-Performing Loans	76.290	98.794

8. Qualitative disclosure on credit risk mitigation techniques:

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

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

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

9. Credit Risk Mitigation Techniques- Overview:

Current Period December 31, 2021	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	27.865.470	2.012.835	1.979.195	-	-	-	-
Debt Securities	3.885.408	-	-	-	-	-	-
Total	31.750.878	2.012.835	1.979.195	-	-	-	-
Defaulted	215.413	133.333	138.409	2.258	1.806	-	-

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Prior Period December 31, 2020	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	24.713.834	1.143.286	1.002.541	-	-	-	-
Debt Securities	5.375.570	-	-	-	-	-	-
Total	30.089.404	1.143.286	1.002.541	-	-	-	-
Defaulted	419.374	202.267	202.071	4.878	3.902	-	-

d. Credit risk under standardised approach

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

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

Moody's Investor Service Credit Quality Scale

Long-term Credit Ratings

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

Short-term Credit Ratings

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

HSBC Bank’s Financial Power Rating

According to Moody’s Credit Rating Institution’s evaluations, HSBC Bank A.Ş.’s rating as of December 31, 2021 is as follows:

Definitions	Rating
Baseline Credit Assessment	Caa1
Outlook	Negative
Long-term foreign currency deposit rating	B2
Long-term TL deposit rating	B1
Short-term foreign currency deposit rating	NP
Short-term TL deposit rating	NP
Long-term national scale TL deposit	Aa2.tr

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period December 31, 2021	Exposures before CCF and CRM		Exposures post CCF and CRM		Risk Weighted Amount and Risk Weighted Amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amount	Risk Weighted Amount density
Asset classes						
Exposures to central governments or central banks	11.025.661	129.371	11.025.661	6.456	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	5	12	5	-	5	100%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	1.338.628	1.816.690	1.338.629	1.260.567	938.046	36%
Exposures to corporates	20.040.554	9.450.962	19.739.901	5.868.373	25.000.192	98%
Retail exposures	3.252.517	3.900.469	2.898.583	218.769	2.661.520	85%
Exposures secured by residential property	78.624	74	78.623	37	27.531	35%
Exposures secured by commercial real estate	385.489	40.873	385.489	40.873	288.135	68%
Past-due loans	115.373	5.336	115.373	1.235	110.366	95%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
Other assets	1.764.372	-	1.764.372	-	455.442	64%
Investment in equities	-	-	-	-	-	-
Total	38.001.223	15.343.787	37.346.636	7.396.310	29.481.237	66%

Prior Period December 31, 2020	Exposures before CCF and CRM		Exposures post CCF and CRM		Risk Weighted Amount and Risk Weighted Amount density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount
Asset classes						
Exposures to central governments or central banks	10.933.387	996.918	10.933.387	751.442	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	5	84	5	34	39	100%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	1.703.477	1.416.444	1.703.482	1.002.756	1.388.480	51%
Exposures to corporates	17.855.045	6.071.386	17.786.926	3.870.266	20.803.681	96%
Retail exposures	2.774.875	3.750.746	2.603.831	181.102	2.093.391	75%
Exposures secured by residential property	140.318	95	140.318	34	49.123	35%
Exposures secured by commercial real estate	1.932.557	9.451	1.932.557	4.710	1.022.184	53%
Past-due loans	156.730	-	156.730	-	148.592	95%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
Other assets	1.391.913	24.657	1.391.912	14.913	494.790	35%
Investment in equities	-	-	-	-	-	-
Total	36.888.307	12.269.781	36.649.148	5.825.257	26.000.280	61%

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period											
December 31, 2021											
Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weight	Total credit risk exposure amount (After CCF and CRM)
Exposures to central governments or central banks	11.032.117	-	-	-	-	-	-	-	-	-	11.032.117
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	5	-	-	-	5
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	1.573.932	-	804.008	-	221.256	-	-	-	2.599.196
Exposures to corporates	-	-	-	-	1.216.163	-	24.392.111	-	-	-	25.608.274
Retail exposures	-	-	-	-	-	2.365.501	480.767	271.084	-	-	3.117.352
Exposures secured by residential property	-	-	-	78.660	-	-	-	-	-	-	78.660
Exposures secured by commercial real estate	-	-	-	-	276.453	-	149.909	-	-	-	426.362
Past-due loans	-	-	-	-	27.425	-	74.242	14.941	-	-	116.608
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	1.308.930	-	-	-	-	-	455.442	-	-	-	1.764.372
Total	12.341.047	-	1.573.932	78.660	2.324.049	2.365.501	25.773.732	286.025	-	-	44.742.946

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

Prior Period											
December 31, 2020											
Asset Classes / Risk Weights	0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weight	Total credit risk exposure amount (After CCF and CRM)
Exposures to central governments or central banks	11.684.829	-	-	-	-	-	-	-	-	-	11.684.829
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	39	-	-	-	39
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	245.760	-	2.246.906	-	208.966	4.606	-	-	2.706.238
Exposures to corporates	-	-	414.432	-	1.043.930	-	20.198.830	-	-	-	21.657.192
Retail exposures	-	-	-	-	-	2.766.175	18.758	-	-	-	2.784.933
Exposures secured by residential property	-	-	-	140.352	-	-	-	-	-	-	140.352
Exposures secured by commercial real estate	-	-	-	-	1.830.166	-	107.101	-	-	-	1.937.267
Past-due loans	-	-	-	-	48.902	-	75.203	32.625	-	-	156.730
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	912.034	-	-	-	-	-	494.791	-	-	-	1.406.825
Total	12.596.863	-	660.192	140.352	5.169.904	2.766.175	21.103.688	37.231	-	-	42.474.405

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

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

e. Explanations on counterparty credit risk

1. Qualitative disclosure on counterparty credit risk

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

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

Current Period December 31, 2021	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardised Approach - CCR (For Derivatives)	691.869	249.305		1,4	941.174	716.957
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					261.272	46.463
Value at Risk for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total						763.320
Prior Period December 31, 2020	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardised Approach - CCR (For Derivatives)	755.120	313.881		1,4	1.069.001	766.359
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					53.584	8.490
Value at Risk for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					53.584	8.490
Total						774.849

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

3. Credit valuation adjustment (CVA) capital charge:

Current Period December 31, 2021	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk component (Including the 3* multiplier)	-	-
(ii) Stressed Value at Risk component (Including the 3* multiplier)	-	-
All portfolios subject to the Standardised CVA capital charge	1.102.603	339.184
Total subject to the CVA capital charge	1.102.603	339.184

Prior Period December 31, 2020	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk component (Including the 3* multiplier)	-	-
(ii) Stressed Value at Risk component (Including the 3* multiplier)	-	-
All portfolios subject to the Standardised CVA capital charge	1.114.658	339.808
Total subject to the CVA capital charge	1.114.658	339.808

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

Current Period - December 31, 2021 Regulatory Portfolio / Risk weights	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	47.264	221.010	-	190.498	-	-	458.772
Exposures secured by commercial real estate	-	-	-	-	-	626.518	-	-	626.518
Past-due loans	-	-	-	-	-	17.313	-	-	17.313
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	47.264	221.010	-	834.329	-	-	1.102.603

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

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Prior Period - December 31, 2020									Total Credit
Regulatory Portfolio / Risk weights	0%	10%	20%	50%	75%	100%	150%	Other	Exposures(*)
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	10.681	172.633	-	136.802	-	-	320.116
Exposures secured by commercial real estate	-	-	-	-	-	781.985	-	-	781.985
Past-due loans	-	-	-	-	-	12.557	-	-	12.557
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	10.681	172.633	-	931.344	-	-	1.114.658

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

5. Composition of collateral for CCR exposure:

Current Period December 31, 2021	Collateral used in derivative transactions				Collateral used in other transactions	
	Fair Value of Collateral Taken		Fair Value of Collateral Given		Fair Value of Collateral Received	Fair Value of Posted Collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	2.309.240	-
Cash – other currencies	726.668	-	12.629	-	-	-
Domestic sovereign debt	-	-	-	-	2.677.419	-
Other sovereign debt	-	-	-	-	15.757.631	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	726.668	-	12.629	-	20.744.290	-

Prior Period December 31, 2020	Collateral used in derivative transactions				Collateral used in other transactions	
	Fair Value of Collateral Taken		Fair Value of Collateral Given		Fair Value of Collateral Received	Fair Value of Posted Collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	1.242.289	-
Cash – other currencies	165.244	-	310.434	-	-	-
Domestic sovereign debt	-	-	-	-	2.240.457	-
Other sovereign debt	-	-	-	-	1.088.528	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	165.244	-	310.434	-	4.571.274	-

6. Credit derivatives exposures

None.

7. Exposures to central counterparties

None.

f. Securitization Disclosures

None.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

g. Explanations on market risk:

1. Qualitative disclosures on market risk:

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

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

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

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

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

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

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

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

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Standardised Approach

	Current Period December 31, 2021 Risk Weighted Amount	Prior Period December 31, 2020 Risk Weighted Amount
Outright Products		
Interest Rate Risk (general and specific)	1.011.594	754.402
Equity Risk (general and specific)	11.121	11.125
Foreign Exchange Risk	1.076.619	538.009
Commodity Risk	612.616	205.614
Options		
Simplified Approach	-	-
Delta-plus Method	12.375	14.763
Scenario Approach	-	-
Securitisation	-	-
Total	2.724.325	1.523.913

h. Explanations on operational risk:

The amount subject to the operational risk is calculated once every year through the use of “Basic Indicator Method” in the “Regulation Regarding Measurement and Evaluation of the Group’s Capital Adequacy Ratio” published in the Official Gazette No.29511 dated 23 October 2015 and effective as of 1 July 2012. The amount subject to operational risk is calculated for December 31, 2021 with the usage of the gross income of the Group in 2016, 2017 and 2018.

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

Current Period	31.12.2018	31.12.2019	31.12.2020	Total/No of Years of Positive Gross	Rate (%)	Total
Gross Income	1.536.622	1.923.713	2.288.788	1.916.374	15	287.456
Operational Risk Capital Requirement (Total*12,5)						3.593.201

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

a. Information on fair value calculations of financial assets and liabilities:

The estimated fair value of demand deposits and miscellaneous debts represents the amount payable at the time of demand. The fair value of the overnight deposit represents the book value. The estimated fair value of fixed-rate deposits is calculated by finding the cash flow discounted using the money market interest rates used for similar credit risk and other debt with residual amortization.

The estimated fair value of loans, bank placements and borrowings is calculated by finding the cash flows discounted using current market interest rates.

The fair value of the shares held by the Group, which is one of the financial assets whose fair value difference is reflected in other comprehensive income, is calculated over the closing prices determined as of the reporting date in the market in which they are traded. It is assumed that the fair value of stocks that are not traded in an active market are their costs. Since government debt securities classified as financial assets at fair value through other comprehensive income are valued at their fair values using the prices in the markets in which they are traded, there is no difference between their fair values and book values.

	Carrying Value		Fair Value	
	Current Period December 31, 2021	Prior Period December 31, 2020	Current Period December 31, 2021	Prior Period December 31, 2020
Financial Assets	59.090.793	33.105.681	58.972.900	33.024.903
Interbank Money Market Placements	26.088.612	3.334.774	26.085.259	3.333.610
Banks	1.023.654	29.686	1.023.491	29.677
Financial Assets at Fair Value Through Other Comprehensive Income	3.657.056	5.014.925	3.657.056	5.014.925
Financial Assets Measured at Amortised Cost	-	-	-	-
Loans (*)	28.321.471	24.726.296	28.207.094	24.646.691
Financial Liabilities	62.671.003	36.096.021	62.489.918	36.014.379
Bank Deposits	315.424	661.079	315.424	661.079
Other Deposits	57.610.317	30.261.999	57.489.899	30.289.895
Funds From Other Financial Institutions	2.942.699	3.584.025	2.874.692	3.485.387
Marketable Securities Issued	529.156	951.920	536.496	941.020
Miscellaneous Payables	1.273.407	636.998	1.273.407	636.998

(*) Loans include TL 286.586 factoring receivables (31 December 2020: TL 59.847).

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

b. Information on fair value classification:

Aforesaid classifications related to fair values are determined as follows;

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

Current Period - December 31, 2021	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	222.785	3.875.945	-	4.089.730
- Government debt securities	222.785	-	-	222.785
- Share certificates (*)	-	-	-	-
- Trading derivative financial asset	-	3.875.945	-	3.875.945
- Other securities	-	-	-	-
Hedging Derivative Financial Assets				
Financial Assets at Fair Value Through Other Comprehensive Income	3.657.056	-	-	3.657.056
- Share certificates	-	-	-	-
- Government debt securities	3.657.056	-	-	3.657.056
- Other marketable securities	-	-	-	-
Total Assets	3.879.841	3.875.945	-	7.755.786
- Derivative Financial Liabilities	-	4.975.272	-	4.975.272
Total Liabilities	-	4.975.272	-	4.975.272

(*) Unquoted share certificates amounting to TL 4.225 measured at cost in accordance with TFRS 9, are not included.

Prior Period - December 31, 2020	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or Loss	355.078	2.020.808	-	2.375.886
- Government debt securities	355.078	-	-	355.078
- Share certificates (*)	-	-	-	-
- Trading derivative financial asset	-	2.020.808	-	2.020.808
- Other securities	-	-	-	-
Hedging Derivative Financial Assets				
Financial Assets at Fair Value Through Other Comprehensive Income	5.014.925	-	-	5.014.925
- Share certificates	-	-	-	-
- Government debt securities	5.014.925	-	-	5.014.925
- Other marketable securities	-	-	-	-
Total Assets	5.370.003	2.020.808	-	7.390.811
- Derivative Financial Liabilities	-	1.883.171	-	1.883.171
Total Liabilities	-	1.883.171	-	1.883.171

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

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

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

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

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

None.

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	Global Banking(***)	Treasury and Capital Markets	Other	Bank's Total Activities
Current Period –December 31, 2021						
Operating Income	814.270	1.223.420	533.595	791.814	10.148	3.373.247
Other	-	-	-	-	-	-
Operating Income	814.270	1.223.420	533.595	791.814	10.148	3.373.247
Segment Net Profit	-	-	-	-	-	-
Undistributed Cost	-	-	-	-	-	-
Operating Profit/(Loss)	(44.982)	499.818	378.989	524.258	(51.543)	1.306.540
Profit before Tax	(44.982)	499.818	378.989	524.258	(51.543)	1.306.540
Corporate Tax Provision (*)	-	-	-	-	(355.645)	(355.645)
Profit after Tax	(44.982)	499.818	378.989	524.258	(407.188)	950.895
Non-Controlling Interest	-	-	-	-	-	-
Net Profit for the Period	(44.982)	499.818	378.989	524.258	(407.188)	950.895
Segment Assets	3.489.104	17.968.334	6.939.037	47.338.809	-	75.735.284
Associates and Subsidiaries	-	-	-	-	220	220
Undistributed Assets	-	-	-	-	-	-
Total Assets	3.489.104	17.968.334	6.939.037	47.338.809	-	75.735.284
Segment Liabilities	37.429.661	8.258.676	11.930.937	11.805.087	1.891.689	71.316.050
Undistributed Liabilities	-	-	-	-	-	-
Total Liabilities	37.429.661	8.258.676	11.930.937	11.805.087	1.891.689	71.316.050
Other Segment Items	(1.344.825)	-	-	(5.084)	13.117	1.336.792
Capital Investment	-	-	-	-	154.265	154.265
Amortization	(608)	-	-	-	(141.148)	(141.756)
Impairment	-	-	-	(5.084)	-	(5.084)
Non-Cash Other Income-Expense (**)	(1.344.217)	-	-	-	-	(1.344.217)

(*) Corporate tax provision is not distributed.

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

(***) Corporate Banking and Investment Banking, which previously operated under a single business line, was decided to be structured under two separate business lines as “Corporate Banking” and “Global Banking” within the scope of the organizational change approved by the Board of Directors.

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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	813.349	1.082.335	717.810	24.451	2.589.043
Other	-	-	-	-	-
Operating Income	813.349	1.082.335	717.810	24.451	2.589.043
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(204.655)	350.890	496.108	19.210	(623.133)
Profit before Tax	(204.655)	350.890	496.108	(19.210)	(623.133)
Corporate Tax Provision ^(*)	-	-	-	(170.401)	170.401
Profit after Tax	(204.655)	350.890	(496.108)	189.611	(452.732)
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(204.655)	350.890	(496.108)	189.611	(452.732)
Segment Assets	3.278.318	14.345.651	-	43.515.205	3.278.318
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
Total Assets	3.278.318	14.345.651	25.891.236	220	43.515.425
Segment Liabilities	21.833.410	10.684.154	5.990.330	1.425.486	39.933.486
Undistributed Liabilities	-	-	-	3.581.939	3.581.939
Total Liabilities	21.833.410	10.684.154	5.990.330	5.007.531	43.515.425
Other Segment Items	55.229	-	(12.502)	20.850	63.577
Capital Investment	-	-	-	134.872	134.872
Amortization	-	-	-	(114.022)	(114.022)
Impairment	-	-	(12.502)	-	(12.502)
Non-Cash Other Income-Expense ^(**)	55.229	-	-	-	55.229

^(*) Corporate tax provision is not distributed.

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

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

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

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Cash/Foreign Currency The CBRT	64.316	1.746.458	74.523	763.208
	1.005.937	8.374.511	121.663	6.132.889
Total	1.070.253	10.120.969	196.186	6.896.097

2. Information related to balances with the CBRT:

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Unrestricted Demand Deposit	980.551	14.186	116.499	8.265
Unrestricted Time Deposit	25.386	-	5.164	2.594.328
Restricted Time Deposit	-	-	-	-
Reserve Requirements	-	8.360.325	-	3.530.296
Total	1.005.937	8.374.511	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. According to the Communiqué on Required Reserves published in the Official Gazette dated 01.07.2021 and numbered 31528, the possibility of establishing Turkish lira required reserves in foreign currency was terminated as of October 1, 2021.

As of 31 December 2021. Turkish lira required reserve ratios are between 3% and 8% (31 December 2020: 1% and 6) depending on the maturity structure of Turkish lira deposits and other liabilities. FX required reserve ratios for deposits and other liabilities are determined between 5% and 26% (31 December 2020: 5% and 22%) depending on the maturity structure.

Within the scope of the "Communiqué on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts" numbered 2021/14, the conversion rate from USD, EUR and GBP denominated foreign currency deposit accounts and foreign exchange denominated participation fund accounts to time TL deposit and participation accounts was 10% as of the obligation date of 15.04.2022. and banks that reached 20% as of 08.07.2022 liability date, it has been decided not to apply an annual commission of 1.5% over the portion up to the amount to be kept for their liabilities until the end of 2022.

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

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

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

	Current Period December 31, 2021	Prior Period December 31, 2020
Collateral/Blocked	3.744	-
Repurchase Agreement	-	-
Unrestricted	219.041	355.078
Total	222.785	355.078

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

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Forward Transactions	-	454.562	684	302.988
Swap Transactions	296.411	656.254	408.240	384.481
Futures Transactions	-	-	-	-
Options	-	2.468.718	-	924.415
Other	-	-	-	-
Total	296.411	3.579.534	408.924	1.611.884

c) Information on Banks:

1. Information on banks and other financial institutions:

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Banks				
Domestic	24.253	-	2.584	-
Foreign	2.001	997.400	-	27.102
Foreign Head Office and Branches	-	-	-	-
Total	26.254	997.400	2.584	27.102

2. Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period December 31, 2021	Prior Period December 31, 2020	Current Period December 31, 2021	Prior Period December 31, 2020
European Union Countries	952.256	3.229	-	-
USD, Canada	39.066	21.482	-	-
OECD Countries (*)	6.346	1.070	-	-
Off-Shore Banking Regions	447	405	-	-
Other	1.286	916	-	-
Total	999.401	27.102	-	-

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

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

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

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

	Current Period December 31, 2021	Prior Period December 31, 2020
Collateral/Blocked	799.472	1.662.904
Repurchase Agreement	2.280.902	1.243.581
Unrestricted	576.682	2.108.440
Total	3.657.056	5.014.925

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

	Current Period December 31, 2021	Prior Period December 31, 2020
Debt Securities	3.765.202	5.026.843
Quoted to Stock Exchange	3.765.202	5.026.843
Not Quoted	-	-
Share Certificate	-	-
Quoted to Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	108.146	11.918
Total	3.657.056	5.014.925

e) Information Related to Loans:

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

	Current Period December 31, 2021		Prior Period December 31, 2020	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	94.346	-	70.035
Corporate Shareholders	-	94.346	-	70.035
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	444.756	49.609	465.254
Loans Granted to Employees	19.746	-	16.519	-
Total	19.746	539.102	66.128	535.289

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

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

Cash Loans	Standard Loans	Loans under Close Monitoring		
		Loans not Subject to Restructuring	Restructured Loans	Refinance
			Loans with Revised Contract Terms	
Non-specialized Loans^(*)	21.451.706	5.152.483	3.170.988	-
Discount Notes	13.733.193	4.252.044	2.983.808	-
Export Loans	954.089	34.752	165.997	-
Import Loans	3.251.578	529.871	-	-
Loans Given to Financial Sector	411.657	-	-	-
Retail Loans	1.254.345	90.952	1.946	-
Credit Cards	1.832.090	244.864	19.237	-
Other	14.754	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	21.451.706	5.152.483	3.170.988	-

^(*) Includes the factoring receivables amounting to TL 286.586.

	Current Period December 31, 2021		Prior Period December 31, 2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	157.744	-	145.629	-
Significant Increase in Credit Risk	-	1.399.090	-	985.195
Total	157.744	1.399.090	145.629	985.195

3. Breakdown of loans according to their maturities:

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables	15.563.610	-	1.271.921	79.298
Non-Specialized Loans (*)	15.563.610	-	1.271.921	79.298
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	5.888.096	-	3.880.562	3.091.690
Non-Specialized Loans	5.888.096	-	3.880.562	3.091.690
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

^(*) Includes the factoring receivables amounting to TL 286.586.

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	120.133	1.110.560	1.230.693
Mortgage Loans	-	156.364	156.364
Vehicle Loans	4.098	76.912	81.010
Consumer Loans	116.035	876.543	992.578
Other	-	741	741
Consumer Loans- Indexed to FC	-	396	396
Mortgage Loans	-	396	396
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	2.053.269	15.320	2.068.589
Instalment	728.717	15.320	744.037
Non Instalment	1.324.552	-	1.324.552
Individual Credit Cards-FC	9.131	-	9.131
Instalment	489	-	489
Non Instalment	8.642	-	8.642
Personnel Loans-TL	1.864	9.907	11.771
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	1.864	9.907	11.771
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	7.933	1	7.934
Instalment	3.682	1	3.683
Non Instalment	4.251	-	4.251
Personnel Credit Cards-FC	41	-	41
Instalment	-	-	-
Non Instalment	41	-	41
Overdraft Account-TL (Individual)	104.383	-	104.383
Overdraft Account-FC (Individual)	-	-	-
Total	2.296.754	1.136.184	3.432.938

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

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	-	5.496	5.496
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	5.496	5.496
Other	-	-	-
Commercial Instalment Loans- FC Indexed	-	29.968	29.968
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	29.968	29.968
Other	-	-	-
Commercial Instalment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	8.904	-	8.904
Instalment	2.071	-	2.071
Non Instalment	6.833	-	6.833
Corporate Credit Cards-FC	1.592	-	1.592
Instalment	-	-	-
Non Instalment	1.592	-	1.592
Overdraft Account-TL (Commercial)	-	-	-
Overdraft Account-FC (Commercial)	-	-	-
Total	10.496	35.464	45.960

6. Loans according to types of borrowers:

	Current Period December 31, 2021	Prior Period December 31, 2020
Public	-	137
Private (*)	29.775.177	25.713.113
Total	29.775.177	25.713.250

(*) Includes the factoring receivables amounting to TL 286.586 (December 31, 2020: TL 59.847).

7. Distribution of domestic and foreign loans:

	Current Period December 31, 2021	Prior Period December 31, 2020
Domestic Loans	29.329.776	25.336.102
Foreign Loans	445.401	377.148
Total (*)	29.775.177	25.713.250

(*) 31 December 2021 Includes the factoring receivables amounting to TL 286.586 (December 31, 2020: TL 59.847).

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8. Loans granted to investments in associates and subsidiaries:

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

9. Specific provisions provided against loans:

	Current Period December 31, 2021	Prior Period December 31, 2020
Loans with Limited Collectability	9.451	487
Loans with Doubtful Collectability	16.368	17.650
Uncollectible Loans	219.799	459.634
Total	245.618	477.771

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 and other receivables	IV. Group Loans with Doubtful Collectability and other receivables	V. Group Uncollectible Loans and other receivables
Current Period: December 31, 2021			
Gross Amounts Before Provisions	-	-	76.290
Rescheduled Loans	-	-	76.290
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 and Other Receivables	IV. Group Loans with Doubtful Collectability and Other Receivables	V. Group Uncollectible Loans and Other Receivables
Balance at the end of Prior Period: December 31, 2020	1.034	22.797	597.810
Additions (+)	17.737	44.626	1.843
Transfers from Other Categories of Non-Performing Loans (+)	-	1.852	34.988
Transfers to Other Categories of Non-Performing Loans (-)	1.852	34.978	-
Collections (-)	707	13.530	65.533
Write-offs (-)	-	-	230.624
Sold Portfolio (-)	-	-	26.717
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: December 31, 2021	16.212	20.767	311.767
Special Provisions (-)	9.451	16.368	219.799
Net Balance in Balance Sheet	6.761	4.399	91.968

(*) As of 31 December 2021. In accordance with the amendment in the related Provisions Regulation, the Bank's non-performing loans ratio decreased from 1.92% to 1.16% (31 December 2020: 2.40%) after the loans written off in the current period.

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

As of December 31, 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 and other receivables	Loans with Doubtful Collectability and other receivables	Uncollectible Loan and other receivables
Current Period (Net): December 31, 2021	6.761	4.399	91.968
Loans granted to corporate entities and real persons (Gross)	16.212	20.767	311.767
Provisions Amount (-)	9.451	16.368	219.799
Loans granted to corporate entities and real persons (Net)	6.761	4.399	91.968
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-
Prior Period (Net): December 31, 2020	18.627	62.181	139.676
Loans granted to corporate entities and real persons (Gross)	1.034	22.797	597.810
Provisions Amount (-)	487	17.650	459.634
Loans granted to corporate entities and real persons (Net)	547	5.147	138.176
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-
	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	355	587	6.272
Interest Accruals and Rediscount with Valuation Differences	1.157	2.716	15.586
Provision amount (-)	802	2.129	9.314
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 Parent Bank's top management occurs.

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

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 Parent 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 parent bank makes an objective assessment while determining whether there is a reasonable expectation.

All of the loans that meet the following conditions are considered by the Parent Bank as having completely lost their ability to collect and all the 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. Information on financial assets given an collateral/blocked and subject to repurchase agreements and those:

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

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

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

3. Information on financial assets measured at amortized cost:

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

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

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

g) Information on Associates (Net):

The Group has no associates as of December 31, 2021 and December 31, 2020.

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h) Information on Subsidiaries (Net):

1. Information on capital adequacy of major subsidiaries:

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

	HSBC Yatırım ve Menkul Değerler A.Ş. (*)
Capital Stock	136.566
Paid-in Capital	12.000
Share Premium	-
Reserves	40.065
Current Period’s Profit and Prior Periods’ Profit	84.178
Current Period’s Losses and Prior Periods’ Losses	-
Leasehold Improvements on Operational Leases (-)	-
Intangible Assets (-)	323
Supplementary Capital	-
Deductions from Capital	-
Net Available Equity	136.566

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

a) Consolidated subsidiaries:

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

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

Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
4.394	3.921	-	-	-	1.416	501	-

(*) Prepared with the non-audited financial statements as of December 31, 2021.

3. 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. HSBC Yatırım Menkul Değerler A.Ş. was participated HSBC Portföy Yönetim A.Ş. 100% as its founder shareholder on August 13, 2003.

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	-

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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
183.323	136.244	3.834	16.417	1.336	49.620	47.610	-

4. Movement schedule of the consolidated subsidiaries:

	Current Period December 31, 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	-	-
Provision Decrease of Valuation	-	-
Balance at the End of the Period	34.753	34.753
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	100,00	100,00

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

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

6. Subsidiaries quoted on a stock exchange:

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

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i) Information on jointly controlled entities:

1. The Group has no jointly controlled entities as of December 31, 2021 and December 31, 2020.
2. As of December 31, 2021 and December 31, 2020, the accounting method is not determined since the Group has no jointly controlled entities.

j) Information on financial lease receivables (Net):

As of December 31, 2021 and December 31, 2020, the Group has no finance leases.

k) Information on hedging derivative financial assets:

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

l) Explanations on Property and Equipment:

Prior Period End:	Real Estate	TFA obtained by operational leasing	Vehicles	Other TFA	Total
Cost	17.201	181.653	9.579	347.762	556.195
Accumulated Depreciation and Impairment (-)	10.913	72.577	4.018	247.255	334.763
Net Book Value	6.288	109.076	5.561	100.507	221.432
Current Period End:	Real Estate	TFA obtained by operational leasing	Vehicles	Other TFA	Total
Net Book Value at the Beginning	6.288	109.076	5.561	100.507	221.432
Additions	-	42.124	850	27.657	70.631
Disposals (Cost)	9.487	59.523	207	16.891	86.108
Disposals (Depreciation)	6.328	35.582	-	15.969	57.879
Depreciation (-)	150	40.247	1.973	34.918	77.288
Cost at Period End	7.714	164.254	10.222	358.528	540.718
Accumulated Depreciation at Period End (-)	4.735	77.242	5.991	266.204	354.172
Closing Net Book Value	2.979	87.012	4.231	92.324	186.546

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m) Information on Intangible Assets:

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

	Current Period December 31, 2021	Prior Period December 31, 2020
Gross Book Value	631.382	506.025
Accumulated Depreciation (-)	388.687	324.219
Net Book Value	242.695	181.806

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

	Current Period December 31, 2021	Prior Period December 31, 2020
Opening Balance	181.806	168.439
Additions	125.356	58.411
Disposals (-) (net)	-	3.496
Depreciation (-)	64.465	41.548
Closing Net Book Value	242.695	181.806

n) Information on the Investment Properties:

As of December 31, 2021 and December 31, 2020, the Group has no investment properties.

o) Explanations on Deferred Tax Asset:

	Cumulative December 31, 2021	Deferred Tax Asset/Liability December 31, 2021
I and II Stage Loan Provisions	1.621.784	341.207
Unearned Revenues	80.846	18.595
Employee Termination Benefit Provision	61.264	12.253
Derivative Expense Rediscount Provision	4.975.273	1.083.631
Other	252.121	53.241
Deferred Tax Asset	6.991.288	1.508.927
Derivative Transactions Fair Value Difference	-	-
Other	(3.944.885)	(840.031)
Deferred Tax Liability	(3.944.885)	(840.031)
Deferred Tax Asset Recognized as Expense		-
Net Tax Asset (*)		668.896

(*) Information of deferred tax asset of the Group as of December 31, 2021 is explained in Note XX of Section Three.

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Explanations on Deferred Tax Asset (Continued) :

	Cumulative	Deferred Tax
	December 31, 2020	Asset/Liability
	December 31, 2020	December 31, 2020
I and II Stage Loan Provisions	1.157.925	231.585
Unearned Revenues	60.976	12.195
Employee Termination Benefit Provision	62.120	12.424
Derivative Expense Rediscount Provision	1.883.171	376.634
Other	250.045	50.213
Deferred Tax Asset	3.414.237	683.051
Derivative Transactions Fair Value Difference	-	-
Other	(2.128.049)	(425.610)
Deferred Tax Liability	(2.128.049)	(425.610)
Deferred Tax Asset Recognized as Expense		-
Net Tax Asset (*)		257.441

(*) Information of deferred tax asset of the Group as of December 31, 2021 is explained in Note XX of Section Three.

	Current Period	Prior Period
	December 31, 2021	December 31, 2020
Deferred Tax as of January 1 Asset/(Liability) – Net	257.441	211.012
Deferred Tax (Loss)/Gain	415.298	47.330
Deferred Tax that is Realized under Shareholder’s Equity	(3.843)	(901)
Deferred Tax Asset/(Liability) – Net	668.896	257.441

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

As of December 31, 2021, assets held for sale of the Group is TL 1.221 (December 31, 2020: TL 1.221).

	Current Period	Prior Period
	December 31, 2021	December 31, 2020
Prior Period End:		
Cost	1.246	2.230
Accumulated Depreciation (-)	25	135
Net Book Value	1.221	2.095
Current Period End:		
Net Book Value at the Beginning	1.221	2.095
Additions	403	1.129
Disposals (Cost)	1.649	2.113
Disposals (-) (Depreciation)	27	132
Depreciation (-)	2	22
Cost at Period End	-	1.246
Accumulated Depreciation at Period End (-)	-	25
Closing Net Book Value	-	1.221

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r. Information on Other Assets:

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

	Current Period December 31, 2021	Prior Period December 31, 2020
Miscellaneous Receivables ^(*)	77.521	124.158
Prepaid Expenses	45.685	68.236
Debited Suspense Accounts	79.803	58.243
Other Rediscount Income ^(**)	38.772	16.932
Other Assets	14.876	8.756
Total	256.657	276.325

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

^(**) As of December 31, 2021 amount of TL 1.123 provision provided for Miscellaneous Receivables within the scope of TFRS 9 (December 31, 2020: TL 380).

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

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

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a) Information on Deposits

1. Information on maturity structure of the deposits:

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

1(i). Current Period – December 31, 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	529.002	-	1.755.589	2.932.962	1.001.446	148.416	240.528	-	6.607.943
Foreign Currency Deposits	19.916.435	-	8.492.159	9.756.201	261.869	122.546	218.436	-	38.767.646
Residents in Turkey	18.152.943	-	8.314.183	8.821.546	162.588	58.864	98.488	-	35.608.612
Residents Abroad	1.763.492	-	177.976	934.655	99.281	63.682	119.948	-	3.159.034
Public Sector Deposits	2.636	-	280.276	-	-	-	-	-	282.912
Commercial Deposits	835.813	-	4.352.454	347.679	64.469	5.126	11.077	-	5.616.618
Other Institutions Deposits	6.312	-	408	-	-	-	-	-	6.720
Precious Metal Deposit	5.780.577	-	35.652	488.386	15.475	7.769	619	-	6.328.478
Bank Deposit	86.004	-	229.420	-	-	-	-	-	315.424
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	86.004	-	229.420	-	-	-	-	-	315.424
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	27.156.779	-	15.145.958	13.525.228	1.343.259	283.857	470.660	-	57.925.741

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

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months- 1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	374.165	-	803.165	2.963.736	186.985	67.002	34.476	-	4.429.529
Foreign Currency Deposits	9.206.514	-	2.935.774	5.076.203	432.501	71.477	144.989	-	17.867.458
Residents in Turkey	8.145.756	-	2.673.584	4.518.207	359.933	33.892	63.132	-	15.794.504
Residents Abroad	1.060.758	-	262.190	557.996	72.568	37.585	81.857	-	2.072.954
Public Sector Deposits	224	-	-	-	-	-	-	-	224
Commercial Deposits	686.509	-	2.482.983	250.260	-	-	-	-	3.419.752
Other Institutions Deposits	3.988	-	81	-	-	-	-	-	4.069
Precious Metal Deposit	4.125.522	-	24.544	380.679	5.407	4.453	362	-	4.540.967
Bank Deposits	163.952	-	497.127	-	-	-	-	-	661.079
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	163.952	-	497.127	-	-	-	-	-	661.079
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	14.560.874	-	6.743.674	8.670.878	624.893	142.932	179.827	-	30.923.078

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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	Current Period	Prior Period	Prior Period
	December 31, 2021	December 31, 2021	December 31, 2020	December 31, 2020
Saving Deposits	2.341.610	4.266.334	2.088.283	2.341.246
Foreign Currency Saving Deposits	4.349.547	20.447.195	3.366.384	9.692.579
Other Deposits in the Form of Saving Deposits	608.626	5.283.215	722.277	3.646.937
Foreign Branches’ Deposits under Foreign Authorities’ Insurance Coverage	-	-	-	-
Off-Shore Banking Regions’ Deposits under Foreign Authorities’ Insurance Coverage	-	-	-	-
Total	7.299.783	30.096.744	6.176.944	15.680.762

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

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

	Current Period December 31, 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	31.494	45.660
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
	Forward Transactions	-	1.908.647	-
Swap Transactions	131.184	469.365	374.618	402.235
Future Transactions	-	-	-	-
Options	-	2.466.076	-	926.617
Other	-	-	-	-
Total	131.184	4.844.088	374.618	1.508.553

c. Information on funds provided under repurchase agreements:

As of December 31, 2021, the Group has TL 2.309.195 amount funds provided under repurchase agreements (December 31, 2020: TL 1.242.251).

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d) Information on Funds Borrowed:

1. Information on banks and other financial institutions:

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	-	-
Foreign Banks and Institutions and Funds	-	957.868	-	1.931.228
Total	-	957.868	-	1.931.228

2. Information on the maturity structure of funds borrowed:

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Short-Term	-	887	-	742.670
Medium and Long-Term	-	956.981	-	1.188.558
Total	-	957.868	-	1.931.228

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

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

e) Information on marketable securities issued:

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Bills	529.156	-	951.920	-
Bonds	-	-	-	-
Total	529.156	-	951.920	-

f) Information on Foreign Other Liabilities:

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

g) Information on Financial Leasing Agreements:

1. Explanations on finance lease payables

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

	Current Period December 31, 2021	Prior Period December 31, 2020
Less than 1 year	7.633	5.236
Between 1- 4 years	38.163	39.262
More than 4 years	56.471	58.458
Total	102.267	102.956

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h) Information on Derivative Financial Liabilities for Hedging Purposes:

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

i) Information on Provisions:

1. Information on general provisions:

	Current Period December 31, 2021	Prior Period December 31, 2020
Provisions for off-balance sheet commitments (*)	59.045	24.664

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

2. Information on employee benefit provisions:

As of December 31, 2021, there is 61.264 TL (December 31, 2020: 62.161 TL) provision for severance pay and 14.933 TL (December 31, 2020: 12.231 TL) unused leave provision.

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 8.284,51 (full TL) (December 31, 2020: TL 7.117,17 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

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

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Group is calculated from the ceiling amount valid from January 1, 2021, TL 8.284,51 (full TL) (December 31, 2020: TL 7.117,17 (full TL)).

	Current Period December 31, 2021	Prior Period December 31, 2020
As of January 1	62.161	57.901
Service Cost	3.760	3.979
Interest Cost	8.158	6.762
Actuarial Loss / (Gain)	(8.974)	(5.017)
Paid in Current Period	(3.841)	(1.464)
Total	61.264	62.161

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

As of December 31, 2021, the group 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 December 31, 2021, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.603 (December 31, 2020: TL 1.793).

5. Information on restructuring provisions:

As of December 31, 2021, the group has no provision for restructuring (December 31, 2020: None).

6. Information on other provisions:

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

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

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

	Current Period December 31, 2021	Prior Period December 31, 2020
Provision for Lawsuits	51.505	37.395
Provision for Accumulated Credit Card Bonus	4.720	2.962
Return Provision of Case File Expenses	351	298
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.603	1.793
Other Provisions (*)	76.653	67.891
Total	134.832	110.339

(*) As of December 31, 2021, other provisions amounting TL 59.045 (December 31, 2020: TL 24.664) with TFRS 9 stage 1 and stage 2 non-cash loans provision for expected losses and includes other provisions within TAS 37.

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

j) Explanations on Tax Liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period December 31, 2021	Prior Period December 31, 2020
Taxation on Marketable Securities	20.555	25.548
Banking Insurance Transaction Tax (BITT)	21.386	14.319
Value Added Tax Payable	2.683	1.132
Capital Gains Tax on Property	325	600
Foreign Exchange Transaction Tax	13.349	2.690
Corporate Taxes Payable	565.371	58.258
Other ^(*)	10.492	8.844
Total	634.161	111.391

^(*) As of December 31, 2021, other taxes payable amount consists of payroll tax amounting to TL 8.435 (December 31, 2020: TL 7.311), stamp tax amounting to TL 251 (December 31, 2020: TL 235), other taxes amounting to TL 1.501 (December 31, 2020: TL 1.039) and self-employed income tax amounting to TL 259 (December 31, 2020: TL 259).

1(ii). Information on premium payables:

	Current Period December 31, 2021	Prior Period December 31, 2020
Social Security Premiums – Employer	4.527	4.092
Social Security Premiums – Employee	7.407	5.937
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	654	594
Unemployment Insurance – Employee	522	417
Other	-	-
Total	13.110	11.040

2. Information on deferred tax liability:

Information on the Group’s deferred tax liability as of December 31, 2021 is explained in Note XX of Section Three.

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

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

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

As of December 31, 2021, he has a subordinated loan of EUR 130 million with a maturity of 10 years from HSBC Holdings PLC, with the permission dated April 21, 2021 and numbered E-20008792-101.02.01[56]-11799. The interest rate of the loan is EURIBOR + 6.99%.

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	1.984.831	-	1.652.797
Other Foreign Institutions	-	-	-	-
Total	-	1.984.831	-	1.652.797

m) Information on Shareholder’s Equity:

1. Presentation of paid-in capital:

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

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

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

Registered share capital system is not applied.

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

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

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

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

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

The Group has no capital commitments.

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

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

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

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

8. Information on valuation differences of marketable securities:

	Current Period		Prior Period	
	December 31, 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	(110.708)	-	9.735	-
Valuation Difference	(110.708)	-	9.735	-
Foreign Currency Difference	-	-	-	-
Total	(110.708)	-	9.735	-

9. Information on revaluation value increase fund:

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

10. Information on legal reserves:

	Current Period	Prior Period
	December 31, 2021	December 31, 2020
First Legal Reserve	186.541	186.541
Second Legal Reserve	13.190	14.942
Legal Reserves according to Special Legislation	-	-
Total	199.731	201.483

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

11. Information on extraordinary reserves:

	Current Period December 31, 2021	Prior Period December 31, 2020
Reserves Allocated per General Assembly Minutes	2.430.269	1.916.136
Retained Earnings	-	97.844
Accumulated Loss	-	-
Foreign Currency Differences	-	-
Total	2.430.269	2.013.980

12. Information on Minority Shares:

The Group has no minority shares as of December 31, 2021 and December 31, 2020.

13. 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 Group's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated June 29, 2017.

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

a) Explanations on Off-Balance Sheet Commitments:

1. Loans Type and amount of irrevocable commitments:

	Current Period December 31, 2021	Prior Period December 31, 2020
Asset Purchase and Sale Commitments	8.162.753	14.713.727
Commitments for Credit Card Limits	3.428.483	3.308.035
Commitments for Cheques	14.709	15.531
Loan Granting Commitments	237.911	188.459
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	22.104	18.102
Tax and Fund Liabilities from Export Commitments	2.286	2.286
Other Irrevocable Commitments	535.242	542.659
Total	12.403.488	18.788.799

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

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

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

	Current Period December 31, 2021	Prior Period December 31, 2020
Letters of Guarantee	7.358.848	4.047.939
Letters of Credit	5.994.093	2.027.452
Bank Acceptances	-	412
Other Guarantees	355.169	203.954
Total	13.708.110	6.279.757

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

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

3. Information on the non-cash loans:

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

	Current Period December 31, 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	13.708.110	6.279.757
Total	13.708.110	6.279.757

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

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

	Current Period December 31, 2021				Prior Period December 31, 2020			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	5.010	0,39	-	-	6.141	0,48	-	-
Farming and Raising Livestock	5.010	0,39	-	-	6.141	0,48	-	-
Forestry	-	-	-	-	-	-	-	-
Fishig	-	-	-	-	-	-	-	-
Manufacturing	280.862	21,62	6.504.383	52,42	422.341	32,73	2.028.002	40,64
Mining and Quarrying	183	0,01	7.090	0,06	72	0,01	1.197	0,02
Production	269.665	20,76	5.990.787	48,28	388.714	30,12	1.907.501	38,23
Electric, Gas and Water	11.014	0,85	506.506	4,08	33.555	2,60	119.304	2,39
Construction	35.355	2,72	2.611.198	21,04	24.447	1,89	1.175.935	23,57
Services	973.589	74,95	3.293.708	26,54	833.896	64,61	1.785.226	35,79
Wholesale and Retail Trade	545.227	41,97	1.349.733	10,88	392.690	30,43	684.448	13,72
Hotel, Food and Beverage Services	17.651	1,36	11.735	0,09	16.248	1,26	5.307	0,11
Transportation and Telecommunication	67.088	5,16	276.624	2,23	80.471	6,23	180.325	3,61
Financial Institutions	181.806	14,01	1.491.532	12,02	153.555	11,90	849.371	17,03
Real Estate and Leasing Services	157.805	12,15	145.727	1,17	186.827	14,48	55.509	1,11
Self-employment Services	3.962	0,3	5.077	0,04	4.055	0,31	2.839	0,06
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	50	-	13.280	0,11	50	0,00	7.427	0,15
Other	4.005	0,32	-	-	3.769	0,29	-	-
Total	1.298.821	100,00	12.409.289	100,00	1.290.594	100,00	4.989.163	100,00

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

Current Period December 31, 2021	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	1.296.320	12.342.448	1.528	66.399
Letters of Guarantee	1.266.320	6.023.628	1.528	66.399
Bank Acceptances	-	-	-	-
Letters of Credit	30.000	5.964.093	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	354.727	-	-
Prior Period December 31, 2020	1.287.869	4.951.782	1.729	37.381
Letters of Guarantee	1.262.869	2.745.211	1.729	37.134
Bank Acceptances	-	412	-	-
Letters of Credit	25.000	2.002.452	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	203.707	-	247

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

b) Explanations on Derivative Transactions:

	Current Period December 31, 2021	Prior Period December 31, 2020
Foreign Currency Swap Transactions	49.426.874	65.682.655
Interest Rate Swap Transactions	31.416.968	23.081.590
Foreign Currency Options Transactions	17.810.580	19.038.580
Forward Foreign Currency Transactions	35.646.173	29.089.611
Precious Metals Swap Transactions	5.620.271	3.319.268
Precious Metals Options Transactions	-	1.736.225
Total	139.920.866	141.947.929

(*) Includes forward asset value purchase commitments included in commitments.

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

None.

d) Explanations on Contingent Liabilities and Assets:

Contingent assets are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of December 31, 2021, there is no contingent assets to be disclosed.

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

The Group has contingent liabilities regarding various ongoing lawsuits due to the transactions it has made within the scope of its banking activities. As of December 31, 2021, the total of these lawsuits filed against the Group amounted to TL 51.505 (December 31, 2020: TL 37.395). A provision of 51.856 TL (December 31, 2020: 37.693 TL) has been made, including 351 TL (December 31, 2020: 298 TL) for file costs and return litigation provision, for those lawsuits that are more likely to result in a negative outcome than a favorable outcome.

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

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

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IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a) Information on Interest Income:

1. Information on interest income received from loans:

	Current Period		Prior Period	
	December 31, 2021		December 31, 2020	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-Term Loans	1.343.778	231.986	874.400	114.078
Medium and Long-Term Loans	280.072	466.182	234.362	450.476
Interest on Loans Under Follow-Up	22.841	1.846	23.087	326
Resource Utilization Support Fund	-	-	-	-
Total	1.646.691	700.014	1.131.849	564.880

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

2. Information on interest income received from banks:

	Current Period		Prior Period	
	December 31, 2021		December 31, 2020	
	TL	FC	TL	FC
From the CBRT	97	-	681	-
From Domestic Banks	179.654	2	53.688	-
From Foreign Banks	759	603	1.207	3.170
Headquarters and Branches Abroad	-	-	-	-
Total	180.510	605	55.576	3.170

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	December 31, 2021		December 31, 2020	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	103.748	5.998	42.009	5.218
Financial Assets at Fair Value Through Other Comprehensive Income	620.818	-	475.424	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Total	724.566	5.998	517.433	5.218

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

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

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

b) Information on Interest Expense:

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

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	129.402	-	122.589
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	-	129.402	-	122.589

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

None.

3. Information on interest expense to marketable securities issued:

	Current Period December 31, 2021		Prior Period December 31, 2020	
	TL	FC	TL	FC
Interest Expense to Marketable Securities Issued	171.099	-	31.370	-
Total	171.099	-	31.370	-

4. Maturity structure of the interest expense on deposits:

Current Period: December 31, 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	-	52.067	-	-	-	-	-	52.067
Saving deposits	-	216.996	712.997	93.600	45.229	24.718	-	1.093.540
Public sector deposits	-	276	-	-	-	-	-	276
Commercial deposits	-	386.103	44.929	8.814	3.236	76	-	443.158
Other deposits	-	29	-	-	-	-	-	29
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	-	655.471	757.926	102.414	48.465	24.794	-	1.589.070
Foreign Currency								
Foreign currency deposits	-	17.231	37.572	851	2.204	375	-	58.233
Interbank deposits	-	-	-	-	-	-	-	-
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	8	439	8	6	-	-	461
Total	-	17.239	38.011	859	2.210	375	-	58.694
Grand Total	-	672.710	795.937	103.273	50.675	25.169	-	1.647.764

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

Prior Period: December 31, 2020	Demand Deposit	Time Deposit						Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year			
Turkish Lira									
Interbank deposits	-	29.951	-	-	-	-	-	-	29.951
Saving deposits	-	72.120	263.406	8.915	4.070	4.483	-	-	352.994
Public sector deposits	-	-	-	-	-	-	-	-	-
Commercial deposits	-	184.104	28.077	3.844	3.128	2.712	-	-	221.865
Other deposits	-	7	-	-	-	-	-	-	7
Deposits with 7 days maturity	-	-	-	-	-	-	-	-	-
Total	-	286.182	291.483	12.759	7.198	7.195	-	-	604.817
Foreign Currency									
Foreign currency deposits	-	15.907	33.106	2.817	3.730	1.814	-	-	57.374
Interbank deposits	-	6	-	-	-	-	-	-	6
Deposits with 7 days maturity	-	-	-	-	-	-	-	-	-
Precious metal deposits	-	11	594	10	20	-	-	-	635
Total	-	15.924	33.700	2.827	3.750	1.814	-	-	58.015
Grand Total	-	302.106	325.183	15.586	10.948	9.009	-	-	662.832

4. Information on interest given on repurchase agreements:

As of December 31, 2021, the Group has interest given on repurchase agreements amounting to TL 53.718 (December 31, 2020: TL 253.868).

5. Information on finance lease expenses:

As of December 31, 2021, the Group has lease expenses amounting to TL 18.136 (December 31, 2020: TL 18.778).

6. Information on interest given on factoring payables:

The Group has no interest given on factoring payables during the period ended on December 31, 2021 and December 31, 2020.

c) Explanations on Dividend Income:

As of December 31, 2021, the share of the Parent Bank in the dividend distribution of its subsidiaries is TL 219 (December 31, 2020: TL 89)

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

1. Trading income/loss (Net):

	Current Period December 31, 2021	Prior Period December 31, 2020
Profit	647.713.306	144.153.820
Capital Market Transactions Income	286.530	343.036
Gain on Derivative Financial Transactions	11.561.205	9.872.585
Foreign Exchange Gains	635.865.571	133.938.199
Loss (-)	646.634.235	143.636.119
Capital Market Transactions Loss	292.527	190.832
Loss on Derivative Financial Transactions	11.293.459	8.717.581
Foreign Exchange Loss	635.048.249	134.727.706
Total (Net)	1.079.071	517.701

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

e) Information on Other Operating Income:

	Current Period December 31, 2021	Prior Period December 31, 2020
Reverse of Previous Years Expenses ^(*)	85.724	289.633
Gain on Sale of Assets	31.949	2.083
Provision for Telecommunication Expense	4.050	3.530
Other Income	81.280	61.349
Total	203.003	356.595

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

^(**) Income from the sale of real estate held by the Bank is shown in the Income from the Sale of Assets line.

f) Impairment Provisions Related to Loans and Other Receivables of The Group:

	Current Period December 31, 2021	Prior Period December 31, 2020
Expected Credit Loss	472.695	472.738
12 Months Expected Credit Loss (Stage 1)	17.513	82.385
Significant Increase in Credit Risk (Stage 2)	455.182	314.183
Non-performing Loans (Stage 3)	-	76.170
Marketable Securities Impairment Expense	5.084	12.502
Financial Assets at Fair Value Through Profit or Loss	4.951	11.175
Financial Assets at Fair Value Through Other Comprehensive Income	133	1.327
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Other	-	-
Total	477.779	485.240

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(Continued)**

g) Information related to other operating expenses:

	Current Period December 31, 2021	Prior Period December 31, 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	77.288	72.452
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	64.466	41.548
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	22
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	275.400	378.351
Leasing Expenses on TFRS 16 Exceptions	10.067	5.932
Maintenance Licensing Expenses	77.520	26.392
Maintenance Expenses	29.006	57.774
Communication Expenses	14.934	15.260
Advertisement Expenses	36.026	32.269
Other Expenses ^(*)	107.847	240.724
Loss on Sales of Assets	2.549	13.468
Tax, Duties, Charges and Funds Expenses	97.918	83.512
Saving Deposit Insurance Fund Expenses	57.176	58.062
Other ^(*)	326.189	301.844
Total	900.988	949.259

(*) Of the amount of 326.189 TL (31 December 2020: 301.844 TL) shown in the Other line, 1.438 TL is audit and consultancy fees (31 December 2020: 1.228 TL), 440 TL is from the arbitral tribunal expenses (31 December 2020: 618 TL) and the remaining 324.311 TL consists of other expenses (31 December 2020: 299.998 TL).

h) Fees for services received from independent auditor / independent audit firm ations:

In accordance with the decision of the KGK dated March 26, 2021, the fee information for the reporting period regarding the services received from the independent auditor or independent audit firm is given in the table below over VAT excluded amounts.

	Current Period December 31, 2021	Prior Period December 31, 2020
Independent Audit Fee for the Reporting Period	1.051	760
Fees for Tax Advisory Services	207	190
Fee for Other Assurance Services	-	-
Fee for Services Other than Independent Audit	-	-
Total	1.258	950

i) Explanation on Profit/Loss from Continuing and Discontinued Operations Before Tax:

The operating income of the Group for the year ended December 31, 2021 is TL 3.373.247 (December 31, 2020: TL 2.589.043). The Group's provision for impairment of loans and other receivables amounting to TL 477.779 (December 31, 2020: TL 485.240), other operating expenses TL 900.988 (December 31, 2020: TL 949.259), profit before tax is TL 1.306.540 (December 31, 2020: TL 623.133 profit before tax).

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**IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT
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j) Explanation on Continuing Operations and Discontinued Operations Tax Provision:

As of December 31, 2021, the current tax provision expense of the Group is TL 770.943 (December 31, 2020: TL 217.731 expense) and deferred tax income is TL 415.298 (December 31, 2020: TL 47.330 income).

k) Explanation on After-Tax Profit/Loss from Continuing and Discontinued Operations:

There is no issue to be disclosed regarding operating profit/loss after tax.

l) Explanations on Net Profit and Loss for the Period:

1. If disclosure of the nature, size and recurrence rate of income and expense items arising from ordinary banking transactions is necessary to understand the performance of the bank during the period, the nature and amount of these items:

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

In the interim account period ending on 31 December 2021, net interest income and net fee and commission incomes have an important place with TL 1.557.617 (December 31, 2020: TL 1.287.102) and TL 533.337 (December 31, 2020: TL 427.556) among income items. Fees and commission income from cash loans are shown in net interest income. Considering the distribution within the interest income, the most important sources of the Group's interest income are the interests received from loans, securities and the interbank money market. The largest part of the interest expenses consists of the interests paid to the deposits and the interests given to the loans used. The most important part of commission income is the commissions received from credit card transactions, tefaş fund platform and other banking activities.

2. If the effect of a change in an estimation made by the Group regarding the financial statement items is likely to affect the following periods as well, a disclosure to include those periods:

There are no changes in the accounting estimates that have a significant effect in the current period or are expected to have a significant effect in the following periods.

m) Explanation on Other Items in the Income Statement:

	Current Period December 31, 2021	Prior Period December 31, 2020
Credit Card Transactions	198.228	141.872
Commissions Received from Banking Transactions	12.348	12.355
Insurance Commissions	43.948	39.599
Fund Platform	66.388	75.226
Other Fee and Commissions	152.110	120.316
Total	473.022	389.368

(*) Includes brokerage commission income and other fund management commissions.

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

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

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

As of December 31, 2021, there is an increase in investment securities valuation differences balance amounting to TL 110.708 (December 31, 2020: TL 9.735 increase). This amount consists of the interest income of the debt instruments, a type of marketable securities, which is calculated by using effective interest rate method and their fair value difference, the costs of share certificates and their fair value differences and the deferred tax effects of these transactions which cannot be related to profit or loss.

As of December 31, 2021, the decrease of TL 120.443 (December 31, 2020: TL 16.276 increase) arising from re-measuring the investments financial assets at fair value through other comprehensive income at their fair value after netting the deferred tax effect, has been shown as a current period movement in the calculation of the securities value increase fund in the equities difference table.

2. Information on increases in cash flow hedges:

The information regarding the accounting of cash flow hedges are explained in Note b.1 of Section Three.

b) Information on Adjustments Made for the Application of Standard on Accounting for Financial Instruments in the Current Year:

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

In the accounting period ending December 31, 2021, profit amounting to TL 50.011 (December 31, 2020: TL 8.431 profit) arising from the revaluation of investments financial assets at fair value through other comprehensive income has been transferred from equities to net profit/loss account since the investment financial assets at fair value through other comprehensive income was sold.

2. Information on cash flow hedges:

The Group has no cash flow hedge accounting as of 31 December 2021 (31 December 2020: None).

c) Information on dividend distribution:

As of reporting date, yearly ordinary meeting of the General Assembly has not been held.

d) Information on issuance of common stock:

The Parent Bank has no issuance of common stock as of December 31, 2021 and December 31, 2020.

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

As of December 31, 2021 and December 31, 2020, the adjustments made for prior periods do not have any effect on opening balance sheets of the Parent Bank.

f) Offsetting prior period's losses:

As of December 31, 2021 and December 31, 2020, the Parent Bank does not have any offset transactions relating to previous year's losses.

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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:

Operating profit amounting to TL 2.391.772 (December 31, 2020: TL 1.377.070) income, consists of interest income amounting to TL 3.589.718 (December 31, 2020: TL 2.477.791), interest expense amounting to TL 1.121.426 (December 31, 2020: TL 1.918.988), personnel expenses amounting to TL 672.961 (December 31, 2020: TL 493.492) and net income other than interest amounting to TL 1.499.785 (December 31, 2020: TL 514.197 income).

Net increase in other liabilities amounting to TL 1.772.272 (December 31, 2020: TL 1.331.620 increase) consists mainly of changes in miscellaneous payables, subordinated debts, other liabilities and taxes and other duties payable.

The effect of the change in exchange rate on cash and cash equivalents has been calculated as an increase of approximately 336.736 TL as of 31 December 2021 (31 December 2020: 21.779 TL decrease).

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

The Group has no cash flow arising from acquisition of associates, subsidiaries and other investments as of December 31, 2021 and December 31, 2020.

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

The Group has no cash flow related to disposals of associates, subsidiaries or other investments as of December 31, 2021 and December 31, 2020.

d. Information on cash and cash equivalents:

Accumulated interest and income from cash and cash equivalents are not taken into account in the cash flow statement. Banks balance consists of cash equivalents including banks and other financial institutions and free accounts of the CBRT.

Cash and cash equivalents at the beginning of the period:

	Current Period December 31, 2021	Prior Period December 31, 2020
Cash	836.467	403.574
Interbank Money Market Placements	3.333.610	10.994.329
CBRT, Banks and Other Financial Institutions	2.743.078	476.694
Total Cash and Cash Equivalents	6.913.155	11.874.597

Cash and cash equivalents at the end of the period:

	Current Period December 31, 2021	Prior Period December 31, 2020
Cash	1.808.385	836.467
Interbank Money Market Placements	26.085.259	3.333.610
CBRT, Banks and Other Financial Institutions	2.030.529	2.743.078
Total Cash and Cash Equivalents	29.924.173	6.913.155

e) Additional information:

None.

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

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

Current Period –December 31, 2021

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Group		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	49.609	535.289	408	-
Closing Balance	-	-	-	539.102	172	-
Interest and Commission Income	-	-	867	9.781	-	-

Prior Period –December 31, 2020

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Group		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	1.483	657.056	-	-
Closing Balance	-	-	49.609	535.289	408	-
Interest and Commission Income (*)	-	-	1.207	176	-	-

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

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Group		Other Individuals and Legal Entities in the Risk Group	
	Current Period		Current Period		Current Period	
Deposit	December 31, 2021		December 31, 2021		December 31, 2021	
Opening Balance	2.640		186.266		42.579	
Closing Balance	5.032		180.832		69.784	
Interest expense on deposits	-		-		2.620	

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Group		Other Individuals and Legal Entities in the Risk Group	
	Prior Period		Prior Period		Prior Period	
Deposit	December 31, 2020		December 31, 2020		December 31, 2020	
Opening Balance	2.167		127.787		24.029	
Closing Balance	2.640		186.266		42.579	
Interest expense on deposits	-		-		502	

3. Information on forward transactions, option agreements and similar transactions between the Group’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		Current Period		Current Period	
	December 31, 2021		December 31, 2021		December 31, 2021	
The Fair Value Differences Through Profit and Loss						
Opening Balance	-		42.775.309		2.623	
Closing Balance	-		37.211.717		-	
Total Profit/Loss	-		384.786		-	
Transactions for Hedging Purposes						
Opening Balance	-		-		-	
Closing Balance	-		-		-	
Total Profit/Loss	-		-		-	

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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	-	95.981	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

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

As of December 31, 2021, payment is made to the Board of Directors and top executives of the Group amounting to TL 53.209 (December 31, 2020: TL 52.185).

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

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

	Number	Number of Employees	Country of Incorporation	Total Assets	Statutory Share Capital
Domestic Branch	70	1.948			
Foreign Representation Office	-	-	-	-	-
Foreign branch	-	-	-	-	-
Off-shore Banking Region Branches	-	-	-	-	-

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021**

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

SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

The consolidated financial statements for the period ended December 31, 2021 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor’s audit report dated March 10, 2022 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.