

**HSBC BANK A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL  
STATEMENTS AND RELATED DISCLOSURES  
AT 30 SEPTEMBER 2022  
TOGETHER WITH AUDITOR'S REVIEW REPORT**

**(Convenience translation of publicly announced unconsolidated financial statements  
and independent auditor's limited review report at 30 September 2022,  
See Note I. of Section Three)**



## AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the General Assembly of HSBC Bank A.Ş.

### *Introduction*

We have reviewed the unconsolidated balance sheet of HSBC Bank A.Ş. ("the Bank") at 30 September 2022 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

### *Scope of Review*

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



### *Conclusion*

According to our review, the unconsolidated interim financial information, the financial position of HSBC Bank A.Ş as of 30 September 2022 and the financial performance and cash flows for the nine month period ended on the same date, are in accordance with BRSA Accounting and Financial Reporting Regulations. Nothing has come to our attention that causes us to believe that it has not been presented fairly, in all material respects.

### *Other Matter*

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2021 and as at and for the nine-month period ended 30 September 2021 were audited and reviewed by another independent audit firm that expressed an unqualified opinion results in the audit report dated 24 February 2022 and unqualified conclusion in the auditor's review report dated 5 November 2021.

### *Report on other regulatory requirements arising from legislation*

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

### *Additional paragraph for convenience translation*

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 30 September 2022. Accordingly, the accompanying unconsolidated financial statements are not intended to present fairly the unconsolidated financial position, results of operations, changes in equity and cash flows of the Bank in accordance with IFRS.

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

Zeynep Uras, SMMM

Partner

Istanbul, 7 November 2022

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

**UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş.  
AS OF AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022**

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

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


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


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

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

  
Süleyman Selim Kervancı  
General  
Manager

  
Burçin Ozan  
Financial Reporting  
Assistant General  
Manager

  
Yerliozan Küçük  
Group Head

  
Robert Adrian Underwood  
Member of  
Audit Committee

  
Christopher James Hatton  
Member of  
Audit Committee

Information about the responsible personnel whom questions may be asked:

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

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2022**

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

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

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

The establishment of HSBC Bank A.Ş. (“The Bank”) to engage in commercial banking activities was authorized by the Council of Ministers decision dated 27 June 1990 and numbered 90/644, and the Articles of Association was published in the Official Gazette dated 18 September 1990 and numbered 2611. The bank is a foreign capital bank registered in accordance with the provisions of the Foreign Capital Encouragement Law No. 6224. On 20 September 2001, a 'Share Sale Agreement' was signed regarding the sale of Demirbank TAŞ., which is part of the Savings Deposit Insurance Fund (“TMSF”), to HSBC Bank Plc, the main shareholder of the Bank. With this agreement, it was envisaged that the necessary transactions would be completed by 31 October 2001, and that all of Demirbank TAŞ.'s shares, as well as some of its assets and liabilities, would be transferred to HSBC Bank Plc. The transfer of the said shares was made on 31 October 2001. On 14 December 2001 Demirbank TAŞ. and the Bank continued its activities by merging under the name of HSBC Bank A.Ş. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

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

As of 30 September 2022, the Bank's nominal capital is TL 652.290 and consists of 65.229.000.000 registered and fully paid shares, each amounting to TL 0.01. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017. As of 30 September 2022 there has been no changes regarding the Bank's capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2022**

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

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

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

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

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2022**

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

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

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

(\*) The amounts are expressed in full TL.

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

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

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

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

As of 30 September 2022, the Bank has 70 branches throughout the country (31 December 2021: 70 branches).

As of 30 September 2022, the number of employees of the Bank is 1.879 (31 December 2021: 1.873).

**VI. OTHER MATTERS**

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

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

Due to the differences between the "Communiqué on the Preparation of Consolidated Financial Statements of Banks" and the consolidation transactions made in accordance with Turkish Accounting Standards, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. is not accounted within the full consolidation method in the consolidated financial statements during the consolidation process in accordance with Turkish Accounting Standards. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was liquidated on 28 March 2022. The subsidiary of the Bank, HSBC Yatırım ve Menkul Değerler A.Ş. is included in the scope of full consolidation with its consolidated financial statements.

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

None.



## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

**HSBC BANK A.Ş.  
UNCONSOLIDATED BALANCE SHEET  
AS OF 30 SEPTEMBER 2022 AND 31 DECEMBER 2021**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

**SECTION TWO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	ASSETS	Note (Section Five I)	Reviewed Current Period (30.09.2022)			Audited Prior Period (31.12.2021)		
			TL	FC	Total	TL	FC	Total
			<b>I. FINANCIAL ASSETS (NET)</b>					
<b>1.1 Cash and Cash Equivalents</b>								
1.1.1 Cash and Balances with Central Bank	(I-a)	310.065	10.842.355	11.152.420	1.070.253	10.120.969	11.191.222	
1.1.2 Banks	(I-c)	10	286.235	286.245	2.010	997.400	999.410	
1.1.3 Money Market Placements		8.075.908	21.653.914	29.729.822	2.583.996	23.504.616	26.088.612	
1.1.4 Expected Loss Provision (-)		5.326	-	5.326	5.905	-	5.905	
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	<b>(I-b)</b>	<b>783.639</b>	<b>73.514</b>	<b>857.153</b>	<b>84.855</b>	<b>132.668</b>	<b>217.523</b>	
1.2.1 Government Debt Securities		779.414	73.514	852.928	80.630	132.668	213.298	
1.2.2 Equity Instruments		4.225	-	4.225	4.225	-	4.225	
1.2.3 Other Financial Assets		-	-	-	-	-	-	
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(I-d)</b>	<b>3.399.724</b>	<b>-</b>	<b>3.399.724</b>	<b>3.657.056</b>	<b>-</b>	<b>3.657.056</b>	
1.3.1 Government Debt Securities		3.399.724	-	3.399.724	3.657.056	-	3.657.056	
1.3.2 Equity Instruments		-	-	-	-	-	-	
1.3.3 Other Financial Assets		-	-	-	-	-	-	
<b>1.4 Derivative Financial Assets</b>	<b>(I-b)</b>	<b>527.359</b>	<b>4.628.142</b>	<b>5.155.501</b>	<b>296.411</b>	<b>3.579.534</b>	<b>3.875.945</b>	
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		527.359	4.628.142	5.155.501	296.411	3.579.534	3.875.945	
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-	-	-	-	
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>18.409.059</b>	<b>20.441.522</b>	<b>38.850.581</b>	<b>10.521.510</b>	<b>17.785.207</b>	<b>28.306.717</b>	
<b>2.1 Loans</b>	<b>(I-e)</b>	<b>18.403.781</b>	<b>20.441.522</b>	<b>38.845.303</b>	<b>12.037.291</b>	<b>17.785.207</b>	<b>29.822.498</b>	
2.2 Lease Receivables	(I-j)	-	-	-	-	-	-	
2.3 Factoring Receivables		153.182	-	153.182	286.586	-	286.586	
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	<b>(I-f)</b>	<b>1.698.977</b>	<b>-</b>	<b>1.698.977</b>	<b>-</b>	<b>-</b>	<b>-</b>	
2.4.1 Government Debt Securities		1.698.977	-	1.698.977	-	-	-	
2.4.2 Other Financial Assets		-	-	-	-	-	-	
2.5 Expected Credit Losses (-)		1.846.881	-	1.846.881	1.802.367	-	1.802.367	
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	<b>(I-p)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
3.1 Held for Sale Purpose		-	-	-	-	-	-	
3.2 Related to Discontinued Operations		-	-	-	-	-	-	
<b>IV. EQUITY INVESTMENTS</b>		<b>34.753</b>	<b>-</b>	<b>34.753</b>	<b>34.973</b>	<b>-</b>	<b>34.973</b>	
<b>4.1 Investments in Associates (Net)</b>	<b>(I-g)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
4.1.1 Accounted Under Equity Method		-	-	-	-	-	-	
4.1.2 Unconsolidated Associates		-	-	-	-	-	-	
<b>4.2 Subsidiaries (Net)</b>	<b>(I-h)</b>	<b>34.753</b>	<b>-</b>	<b>34.753</b>	<b>34.973</b>	<b>-</b>	<b>34,973</b>	
4.2.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753	34.753	-	34.753	
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	220	-	220	
<b>4.3 Entities under Common Control (Joint Venture) (Net)</b>	<b>(I-i)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-	
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-	
<b>V. TANGIBLE ASSETS (Net)</b>	<b>(I-l)</b>	<b>190.192</b>	<b>-</b>	<b>190.192</b>	<b>185.620</b>	<b>-</b>	<b>185.620</b>	
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>(I-m)</b>	<b>286.865</b>	<b>-</b>	<b>286.865</b>	<b>242.372</b>	<b>-</b>	<b>242.372</b>	
6.1 Goodwill		-	-	-	-	-	-	
6.2 Other		286.865	-	286.865	242.372	-	242.372	
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>(I-n)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>VIII</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>IX. DEFERRED TAX ASSET</b>	<b>(I-o)</b>	<b>380.718</b>	<b>-</b>	<b>380.718</b>	<b>665.811</b>	<b>-</b>	<b>665.811</b>	
<b>X. OTHER ASSETS</b>	<b>(I-r)</b>	<b>603.496</b>	<b>188.232</b>	<b>791.728</b>	<b>157.191</b>	<b>33.745</b>	<b>190.936</b>	
<b>TOTAL ASSETS</b>		<b>32.996.462</b>	<b>58.113.914</b>	<b>91.110.376</b>	<b>19.496.153</b>	<b>56.154.139</b>	<b>75.650.292</b>	

The explanations and notes on pages 13 to 83 form an integral part of these financial statements

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

**HSBC BANK A.Ş.  
UNCONSOLIDATED BALANCE SHEET  
AS OF 30 SEPTEMBER 2022 AND 31 DECEMBER 2021**

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

I. BALANCE SHEET	Note (Section Five II)	Reviewed Current Period (30.09.2022)			Audited Prior Period (31.12.2021)		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES</b>							
<b>I. DEPOSITS</b>	(II-a)	27.415.503	44.989.249	72.404.752	12.856.546	45.111.324	57.967.870
<b>II. FUNDS BORROWED</b>	(II-d)	-	11.164	11.164	-	957.868	957.868
<b>III. MONEY MARKET BALANCES</b>	(II-c)	1.811.654	-	1.811.654	2.309.195	-	2.309.195
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	(II-e)	178.294	-	178.294	529.156	-	529.156
4.1 Bills		178.294	-	178.294	529.156	-	529.156
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. BORROWER FUNDS</b>		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(II-b)	481.547	3.972.622	4.454.169	131.184	4.844.088	4.975.272
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		481.547	3.972.622	4.454.169	131.184	4.844.088	4.975.272
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	(II-g)	79.597	2.912	82.509	99.495	2.202	101.697
<b>X. PROVISIONS</b>	(II-i)	282.801	1.523	284.324	204.857	2.581	207.438
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		139.964	-	139.964	72.893	-	72.893
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		142.837	1.523	144.360	131.964	2.581	134.545
<b>XI. CURRENT TAX LIABILITY</b>	(II-j)	233.658	-	233.658	637.318	-	637.318
<b>XII. DEFERRED TAX LIABILITY</b>	(II-j)	-	-	-	-	-	-
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(II-k)	-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(II-l)	-	2.380.723	2.380.723	-	1.984.831	1.984.831
14.1 Loans		-	2.380.723	2.380.723	-	1.984.831	1.984.831
14.2 Other Debt Instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>	(II-f)	1.092.840	1.347.888	2.440.728	802.593	859.930	1.662.523
<b>XVI. SHAREHOLDERS' EQUITY</b>	(II-m)	6.828.401	-	6.828.401	4.317.124	-	4.317.124
16.1 Paid-in capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		323.573	-	323.573	310.888	-	310.888
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		323.573	-	323.573	310.888	-	310.888
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(47.994)	-	(47.994)	(13.600)	-	(13.600)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		31.018	-	31.018	(110.708)	-	(110.708)
16.5 Profit Reserves		3.465.569	-	3.465.569	2.544.955	-	2.544.955
16.5.1 Legal Reserves		184.141	-	184.141	184.141	-	184.141
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		3.281.428	-	3.281.428	2.360.814	-	2.360.814
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit Or Loss		2.403.945	-	2.403.945	933.299	-	933.299
16.6.1 Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Year Profit/Loss		2.403.945	-	2.403.945	933.299	-	933.299
16.7 Minority Interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>38.404.295</b>	<b>52.706.081</b>	<b>91.110.376</b>	<b>21.887.468</b>	<b>53.762.824</b>	<b>75.650.292</b>

The explanations and notes on pages 13 to 83 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.  
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS  
AS OF 30 SEPTEMBER 2022 AND 31 DECEMBER 2021**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed Current Period (30.09.2022)			Audited Prior Period (31.12.2021)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>51.487.005</b>	<b>143.236.801</b>	<b>194.723.806</b>	<b>34.774.124</b>	<b>123.095.902</b>	<b>157.870.026</b>
<b>I. GUARANTEES AND COLLATERALS</b>	<b>(III-a-2,3)</b>	<b>1.534.835</b>	<b>14.396.420</b>	<b>15.931.255</b>	<b>1.298.985</b>	<b>12.409.440</b>	<b>13.708.425</b>
1.1 Letters of Guarantee		1.501.335	7.798.474	9.299.809	1.268.985	6.090.178	7.359.163
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		1.501.335	7.798.474	9.299.809	1.268.985	6.090.178	7.359.163
1.2 Bank Acceptances		-	-	-	-	-	-
1.2.1 Import Letter of Acceptance		-	-	-	-	-	-
1.2.2 Other Bank Acceptance		-	-	-	-	-	-
1.3 Letters of Credit		33.500	6.138.329	6.171.829	30.000	5.964.093	5.994.093
1.3.1 Documentary Letters of Credit		33.500	4.366.320	4.399.820	30.000	3.369.695	3.399.695
1.3.2 Other Letters of Credit		-	1.772.009	1.772.009	-	2.594.398	2.594.398
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		-	459.617	459.617	-	355.169	355.169
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(III-a-1)</b>	<b>6.220.941</b>	<b>14.376.218</b>	<b>20.597.159</b>	<b>5.353.790</b>	<b>7.049.698</b>	<b>12.403.488</b>
2.1 Irrevocable Commitments		6.220.941	14.376.218	20.597.159	5.353.790	7.049.698	12.403.488
2.1.1 Forward Asset Purchase and Sale Commitments		1.638.777	14.374.540	16.013.317	1.114.259	7.048.494	8.162.753
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		115.080	-	115.080	237.911	-	237.911
2.1.5 Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Payment Commitment for Checks		13.284	-	13.284	14.709	-	14.709
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		3.925.270	-	3.925.270	3.428.483	-	3.428.483
2.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		27.130	-	27.130	22.104	-	22.104
2.1.11 Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		499.114	1.678	500.792	534.038	1.204	535.242
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(III-b)</b>	<b>43.731.229</b>	<b>114.464.163</b>	<b>158.195.392</b>	<b>28.121.349</b>	<b>103.636.764</b>	<b>131.758.113</b>
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		43.731.229	114.464.163	158.195.392	28.121.349	103.636.764	131.758.113
3.2.1 Forward Foreign Currency Buy/Sell Transactions		10.024.005	16.670.667	26.694.672	8.801.835	18.681.585	27.483.420
3.2.1.1 Forward Foreign Currency Transactions-Buy		8.646.276	5.024.464	13.670.740	6.454.670	6.693.632	13.148.302
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.377.729	11.646.203	13.023.932	2.347.165	11.987.953	14.335.118
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		27.756.764	78.662.174	106.418.938	13.398.624	67.445.218	80.843.842
3.2.2.1 Foreign Currency Swap-Buy		4.416.215	26.463.594	30.879.809	2.319.379	20.207.079	22.526.458
3.2.2.2 Foreign Currency Swap-Sell		7.058.033	28.123.888	35.181.921	4.681.245	22.219.171	26.900.416
3.2.2.3 Interest Rate Swap-Buy		8.141.258	12.037.346	20.178.604	3.199.000	12.509.484	15.708.484
3.2.2.4 Interest Rate Swap-Sell		8.141.258	12.037.346	20.178.604	3.199.000	12.509.484	15.708.484
3.2.3 Foreign Currency, Interest Rate, and Securities Options		5.950.460	13.464.154	19.414.614	5.920.890	18.819.580	17.810.580
3.2.3.1 Foreign Currency Options-Buy		2.975.230	6.732.077	9.707.307	2.960.445	5.944.845	8.905.290
3.2.3.2 Foreign Currency Options-Sell		2.975.230	6.732.077	9.707.307	2.960.445	5.944.845	8.905.290
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		-	5.667.168	5.667.168	-	5.620.271	5.620.271
<b>B. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		<b>133.802.137</b>	<b>121.663.209</b>	<b>255.465.346</b>	<b>171.750.710</b>	<b>102.629.066</b>	<b>274.379.776</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>64.525.588</b>	<b>58.895.537</b>	<b>123.421.125</b>	<b>103.861.093</b>	<b>43.276.979</b>	<b>147.138.072</b>
4.1 Customers' Securities Held		53.978.617	10.325.542	64.304.159	91.285.113	6.115.648	97.400.761
4.2 Investment Securities Held in Custody		8.691.900	22.706.433	31.398.333	10.642.219	22.690.989	33.333.208
4.3 Checks Received for Collection		31.595	56.237	87.832	32.450	273.433	305.883
4.4 Commercial Notes Received for Collection		179.201	55.078	234.279	190.451	33.894	224.345
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1.644.275	25.752.247	27.396.522	1.710.860	14.163.015	15.873.875
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES ITEMS</b>		<b>65.529.088</b>	<b>24.718.478</b>	<b>90.247.566</b>	<b>65.128.128</b>	<b>30.428.077</b>	<b>95.556.205</b>
5.1 Marketable Securities		275.700	2.987.359	3.263.059	67.297	2.016.807	2.084.104
5.2 Guarantee Notes		167.505	979.517	1.147.022	39.505	731.903	771.408
5.3 Commodity		475.535	316.823	792.358	622.017	301.088	923.105
5.4 Warranty		-	-	-	-	-	-
5.5 Real Estate		3.020.152	15.548.304	18.568.456	2.812.412	12.576.244	15.388.656
5.6 Other Pledged Items		61.590.196	4.886.475	66.476.671	61.586.897	14.802.035	76.388.932
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS</b>		<b>3.747.461</b>	<b>38.049.194</b>	<b>41.796.655</b>	<b>2.761.489</b>	<b>28.924.010</b>	<b>31.685.499</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>185.289.142</b>	<b>264.900.010</b>	<b>450.189.152</b>	<b>206.524.834</b>	<b>225.724.968</b>	<b>432.249.802</b>

The explanations and notes on pages 13 to 83 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD  
ENDED 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021**

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

III. STATEMENT OF PROFIT OR LOSS		Note (Section Five IV)	Reviewed			
			Current Period (01.01.2022 – 30.09.2022)	Current Period (01.07.2022 – 30.09.2022)	Prior Period (01.01.2021– 30.09.2021)	Prior Period (01.07.2021– 30.09.2021)
INCOME AND EXPENSE ITEMS						
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(IV-a)</b>	<b>4.878.551</b>	<b>2.071.188</b>	<b>2.614.854</b>	<b>872.567</b>
1.1	Interest Income on Loans	(IV-a-1)	3.582.959	1.478.461	1.644.540	544.159
1.2	Interest Received from Reserve Requirements		25.335	266	60.772	26.287
1.3	Interest Received from Banks	(IV-a-2)	157.734	87.620	154.089	69.704
1.4	Interest Received from Money Market Transactions		449.167	275.621	185.819	35.867
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	645.592	222.256	559.250	189.075
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		70.604	24.566	84.264	39.111
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		545.736	168.438	474.986	149.964
1.5.3	Financial Assets at Measured at Amortized Cost		29.252	29.252	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		17.764	6.964	10.384	7.475
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>(IV-b)</b>	<b>2.594.621</b>	<b>1.048.909</b>	<b>1.509.634</b>	<b>547.074</b>
2.1	Interest Expense on Deposits	(IV-b-4)	2.242.671	937.994	1.221.844	470.256
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	121.244	43.263	90.417	29.309
2.3	Interest Expense on Money Market Transactions		62.430	18.332	31.286	6
2.4	Interest on Securities Issued	(IV-b-3)	70.580	25.276	150.425	44.078
2.5	Interest Expense on Lease		12.878	4.838	13.745	2.708
2.6	Other Interest Expenses		84.818	19.206	1.917	717
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>2.283.930</b>	<b>1.022.279</b>	<b>1.105.220</b>	<b>325.493</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>525.033</b>	<b>198.042</b>	<b>311.726</b>	<b>121.933</b>
4.1	Fees and Commissions Received		607.621	229.004	357.959	138.693
4.1.1	Non-Cash Loans		217.361	81.463	89.610	34.328
4.1.2	Other	(IV-1)	390.260	147.541	268.349	104.365
4.2	Fees and Commissions Paid (-)		82.588	30.962	46.233	16.760
4.2.1	Non-Cash Loans		601	199	582	194
4.2.2	Other		81.987	30.763	45.651	16.566
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>24.200</b>	<b>-</b>	<b>32.843</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	<b>(IV-d)</b>	<b>1.911.628</b>	<b>794.215</b>	<b>292.449</b>	<b>100.795</b>
7.1	Trading Gains/(Losses) on Securities		216.976	143.532	23.878	18.431
7.2	Derivative Financial Transactions Gains/(Losses)		418.502	58.616	336.640	(19.502)
7.3	Foreign Exchange Gains/(Losses)		1.276.150	592.067	(68.069)	101.866
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(IV-e)</b>	<b>204.542</b>	<b>71.198</b>	<b>156.731</b>	<b>29.478</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>4.949.333</b>	<b>2.085.734</b>	<b>1.898.969</b>	<b>577.699</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES (-)</b>	<b>(IV-f)</b>	<b>211.295</b>	<b>63.411</b>	<b>61.988</b>	<b>11.487</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>		<b>23.653</b>	<b>6.601</b>	<b>23.365</b>	<b>14.475</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>777.792</b>	<b>291.346</b>	<b>444.840</b>	<b>147.128</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(IV-g)</b>	<b>853.699</b>	<b>233.994</b>	<b>673.815</b>	<b>217.448</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)</b>		<b>3.082.894</b>	<b>1.490.382</b>	<b>694.961</b>	<b>187.161</b>
<b>XIV.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>INCOME/ (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)</b>		<b>3.082.894</b>	<b>1.490.382</b>	<b>694.961</b>	<b>187.161</b>
<b>XVIII.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(IV-i)</b>	<b>(678.949)</b>	<b>(374.662)</b>	<b>(158.104)</b>	<b>(54.485)</b>
18.1	Current Tax Provision		(382.335)	(132.126)	(179.739)	(40.877)
18.2	Deferred Tax Income Effect (+)		(296.614)	(242.536)	-	-
18.3	Deferred Tax Expense Effect (-)		-	-	21.635	(13.608)
<b>XIX.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	<b>(IV-j)</b>	<b>2.403.945</b>	<b>1.115.720</b>	<b>536.857</b>	<b>132.676</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-
<b>XXII.</b>	<b>PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX- XXI)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
23.1	Current Tax Provision		-	-	-	-
23.2	Deferred Tax Income Effect (+)		-	-	-	-
23.3	Deferred Tax Expense Effect (-)		-	-	-	-
<b>XXIV.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXV.</b>	<b>NET PROFIT/LOSSES (XIX+XXIV)</b>	<b>(IV-k)</b>	<b>2.403.945</b>	<b>1.115.720</b>	<b>536.857</b>	<b>132.676</b>
	Earnings/Loss per Share		0,036854	0,017105	0,008230	0,002030

The explanations and notes on pages 13 to 83 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED 30 SEPTEMBER 2022 AND 30 SEPTEMBER 2021**

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

<b>IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
	<b>Reviewed Current Period (30.09.2022)</b>	<b>Reviewed Prior Period (30.09.2021)</b>
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>2,403,945</b>	<b>536,857</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>107,332</b>	<b>(78,197)</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>(34,394)</b>	<b>10,042</b>
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	(46,992)	12,781
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	12,598	(2,739)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>141,726</b>	<b>(88,239)</b>
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	179,469	(106,901)
2.2.3 Cash Flow Hedge Income/Loss	-	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(37,743)	18,662
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>2,511,277</b>	<b>458,660</b>

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**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2022 AND  
30 SEPTEMBER 2021**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																
						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							
Reviewed Prior Period 30 September 2021	Note Section Five	Paid-in Capital	Shared Premium	Share Cancel Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Total Equity
<b>I. Balances at the Beginning of the Period - 31 December 2020</b>		652.290	-	-	272.693	-	(20.479)	-	-	9.735	-	2.152.696	-	430.454	3.497.389	3.497.389
<b>II. Corrections According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		652.290	-	-	272.693	-	(20.479)	-	-	9.735	-	2.152.696	-	430.454	3.497.389	3.497.389
<b>IV. Total Comprehensive Income</b>	(V-a)	-	-	-	-	-	10.042	-	-	(88.239)	-	-	-	536.857	458.660	458.660
<b>V. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Paid-in capital inflation adjustment difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Shares</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes</b>		-	-	-	38.195	-	-	-	-	-	-	(38.195)	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	430.454	-	(430.454)	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	430.454	-	(430.454)	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		652.290	-	-	310.888	-	(10.437)	-	-	(78.504)	-	2.544.955	-	536.857	3.956.049	3.956.049

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

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

**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2022 AND  
30 SEPTEMBER 2021**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																
						Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							
Reviewed Current Period 30 September 2022	Note Section Five	Paid-in Capital	Shared Premium	Share Cancel Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Total Equity
<b>I. Balances at the Beginning of the Period - 31 December 2021</b>		652.290	-	-	310.888	-	(13.600)	-	-	(110.708)	-	2.544.955	-	933.299	4.317.124	4.317.124
<b>II. Corrections According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		652.290	-	-	310.888	-	(13.600)	-	-	(110.708)	-	2.544.955	-	933.299	4.317.124	4.317.124
<b>IV. Total Comprehensive Income</b>	(V-a)	-	-	-	-	-	(34.394)	-	-	141.726	-	-	-	2.403.945	2.511.277	2.511.277
<b>V. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Paid-in capital inflation adjustment difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Shares</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes</b>		-	-	-	12.685	-	-	-	-	-	-	(12.685)	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	933.299	-	(933.299)	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	933.299	-	(933.299)	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>		652.290	-	-	323.573	-	(47.994)	-	-	31.018	-	3.465.569	-	2.403.945	6.828.401	6.828.401

- 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).

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**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED STATEMENT OF CASH FLOW  
AT 30 SEPTEMBER 2022**

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

<b>VI. STATEMENT OF CASH FLOWS</b>			
	<b>Note (Section Five VI)</b>	<b>Reviewed Current Period (30.09.2022)</b>	<b>Reviewed Prior Period (30.09.2021)</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>(VI-a)</b>	<b>1.360.035</b>	<b>836.684</b>
1.1.1 Interest Received	(VI-a)	4.536.322	2.689.459
1.1.2 Interest Paid	(VI-a)	(2.163.493)	(1.365.475)
1.1.3 Dividend Received		4.200	19
1.1.4 Fees and Commissions Received		594.029	355.062
1.1.5 Other Income		157.026	115.514
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		76.639	51.179
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(778.657)	(489.392)
1.1.8 Taxes Paid		(236.971)	(140.502)
1.1.9 Other		(829.060)	(379.180)
<b>1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations</b>		<b>2.753.970</b>	<b>11.770.707</b>
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(636.203)	(515.743)
1.2.2 Net Decrease in Due From Banks		(450.299)	(1.809.143)
1.2.3 Net (Increase) in Loans		(8.645.735)	3.174.122
1.2.4 Net (Increase) in Other Assets		(782.309)	70.513
1.2.5 Net Increase in Bank Deposits		31.306	(218.155)
1.2.6 Net Increase/(Decrease) in Other Deposits		13.988.966	12.027.119
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net (Decrease) in Funds Borrowed		(935.956)	283.679
1.2.9 Net Increase/(Decrease) in Matured Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		184.200	(1.241.685)
<b>I. Net Cash Provided From Banking Operations</b>		<b>4.114.005</b>	<b>12.607.391</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided From Investing Activities</b>		<b>(1.281.858)</b>	<b>1.364.733</b>
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		(35.572)	(14.527)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		3.004	29.834
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(1.774.349)	(553.741)
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		2.300.727	1.968.814
2.7 Cash Paid for Purchase of Financial Assets at Amortized Cost		(1.669.725)	-
2.8 Cash Obtained From Sale of Financial Assets at Amortized Cost		-	-
2.9 Other		(105.943)	(65.647)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided From Financing Activities</b>		<b>(408.831)</b>	<b>(1.635.007)</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		992.570	3.847.463
3.2 Cash Outflow From Funds Borrowed and Securities Issued		(1.361.870)	(5.465.027)
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Lease Liabilities		(39.531)	(17.443)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>(VI-a)</b>	<b>16.210</b>	<b>(1.052)</b>
<b>V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>2.439.526</b>	<b>12.336.065</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>	<b>(VI-d)</b>	<b>29.911.011</b>	<b>6.921.426</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>(VI-d)</b>	<b>32.350.537</b>	<b>19.257.491</b>

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**HSBC BANK A.Ş.  
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2022**

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

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

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

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

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

The accounting policies followed and the valuation principles used in the preparation of the financial statements have been determined and applied in accordance with the principles within the scope of the “BRSA Accounting and Financial Reporting Legislation” and are consistent with the accounting policies applied in the annual financial statements prepared for the period ending on 31 December 2021.

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

The Bank made certain estimations in the calculation of expected credit losses in the financial statements prepared as of 30 September 2022 and disclosed them in footnote VIII, “Explanations on Expected Loss Provisions”. The Bank reviews its assumptions every quarter and makes updates if deemed necessary.

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NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2022**

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**I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)**

On 20 January 2022, the Public Oversight Accounting and Auditing Standards Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it has been stated that companies applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. As of the preparation date of the financial statements, no new announcement has been made by the Public Oversight Accounting and Auditing Standards Authority in this context, and no inflation adjustment has been made within the scope of TAS 29 in the financial statements dated 30 September 2022.

The tension between Russia and Ukraine since the beginning of 2022 has turned into a crisis and a hot conflict and continues as of the date of the report. The Bank does not carry out any activities in the two countries subject to the crisis, and the said crisis is not expected to have a direct impact on the Bank's operations. However, since the course of the crisis is uncertain as of the report date, developments that may occur on a global scale are monitored, and the possible reflections of these developments on the global and regional economy, the effects on the Bank's operations are closely monitored and taken into account with the best estimation approach in the preparation of the financial statements.

**Changes in accounting policies and disclosures**

New and revised TAS/TFRS effective for annual periods beginning on or after 1 January 2021 have no material effect on the financial statements, financial performance and on the Bank'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 Bank'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 30 September 2022, the changes brought by the reform did not have a significant impact on the Bank's financial statements.

**Explanation for convenience translation into English:**

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

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

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

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

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

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

Analyses that are conducted related to determined risks are being tracked by the Asset-Liability Committee and value adding decisions are made. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. The balances of other foreign currency active and liability accounts, excluding non-performing loans in foreign currency and non-monetary items accounted for on the basis of acquisition cost, are translated into TL at the Bank's exchange rate and the resulting exchange differences are reflected in the income statement as foreign exchange profit or loss.

**III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES**

The Bank has no investments in associates as of 30 September 2022. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard for Seperate Financial Statements” (“TAS 27”) in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiary of the Bank is HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. (HSBC Ödeme Sistemleri). HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was liquidated on 28 March 2022.

**IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE  
INSTRUMENTS**

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

**V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES**

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

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

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**VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES**

All fees and commission income are recognised on an accrual basis in accordance with the matching principle or “Effective Rate Method (Internal Rate of Return Method)” and according to the TFRS 15 “Revenue From Contracts With Customers”, except for certain commission income for various banking services, which are recorded as income at the time of collection. Income provided through contracts or through services related to transactions such as the purchase or sale of assets for a third party corporate or individual person is recorded as income on the date it is earned.

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

**Classification and measurement of financial instruments**

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

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

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

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

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

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**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)**

**a. Financial Assets at Fair Value Through Profit/Loss:**

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

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

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

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

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

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

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

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**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)**

**c. Financial Assets Measured in Amortized Cost:**

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

**d. Loans:**

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

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

**VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES**

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

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

**Stage 1:**

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

**Stage 2:**

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

**Stage 3:**

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

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**VIII. EXPLANATIONS ON EXPECTED CREDIT 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 macroeconomic cyclical changes.

While the expected credit loss is estimated, three different macroeconomic scenarios (baseline scenario, pessimistic scenario, optimistic scenario) are evaluated. Due to the COVID-19 epidemic, an additional alternative pessimistic 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. As of the first quarter of 2022, global stagnation expectations arising from the possible effects of the Russia-Ukraine tension have begun to be reflected in the pessimistic scenario.

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

**Probability of Default (PD)**

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

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

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

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



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**VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)**

**Loss Given Default (LGD)**

It refers to the economic loss resulting from the loan in case of default by the borrower. It is expressed as a ratio. Loss given default for retail loans is calculated over the expected collections from collateral and other loan cash flows, taking into account the time value of money. While calculating the time value of money, the weighted average interest rate of the performing loan portfolio at the relevant period is taken into account as the effective interest rate. While the Bank has been using a simplified approach, for corporate and commercial loans, which included macroeconomic expectations input and loan maturities along with the transition to TFRS 9; the weighted average LGD from the previous model has started to be used as a prudent approach as of the third quarter, since the Bank began to develop a model that includes country-specific economic expectations and historical data. This approach will continue to be applied until the country-specific model development is completed.

**Exposure at Default (EAD)**

Cash loans represent the balance that has been disbursed as of the report date. Non-cash loans and commitments are the values calculated by applying the loan conversion rate determined in the legislation. The exposure at default is calculated over cash loans and non-cash loans taken into account at the loan conversion ratio, and represents the economic receivable amount at the reporting date. The expected exposure at default, for corporate and commercial loans, is based on the prudent assumption that it will remain constant over the life of the financial instrument. With this approach, more prudent results can be produced and risk-increasing factors such as non-payment and partial payment that may occur in cash flows are prevented.

**Consideration of the Macroeconomic Factors**

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

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

As of September 30, 2022, the Bank calculates the expected credit loss by taking into account the statistical models designed to comply with the relevant legislation and accounting standards and the methods used for prudence, as well as the macroeconomic forecasts for the future. In addition, the COVID-19 epidemic, the possible effects of the tension between Russia and Ukraine, and the global stagnation expectations are reflected in the estimates and judgments used in the calculation of expected credit losses, with the best estimation method, using the maximum effort principle. Within the light of these data, the Bank has developed an alternative pessimistic scenario in addition to the base, optimistic and pessimistic macro-economic expectations used in the calculation of expected credit loss and revised the scenario weights in this context. Calculations made by taking into account the PD and LGD parameters, which vary according to these scenarios and their weights, are reflected in the financial statements as of 30 September 2022. The PD values basically reflect the annual rate of change in house prices, the change in short-term foreign debt in USD and the annual change in gross national product. 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 within the scope of LGD, the Bank has established provisions by adding increasing and decreasing management additions in addition to the provisions established in the corporate/commercial portfolio. The newly developed model for calculating the potential effects of forward-looking macroeconomic expectations is planned to be officially commissioned in the last quarter of 2022. This approach, which has been implemented since the 3rd quarter of 2020, will continue in 2022, and in the following reporting periods, the effect of the pandemic and global stagnation will be reviewed at regular intervals, taking into account the current portfolio status and macro-economic realizations and future expectations.

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**VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)**

**Calculating the Expected Loss Period**

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

**Significant Increase in Credit Risk**

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

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

The Bank classifies the financial asset as Stage 2 where any of the following conditions are satisfied as a result of a qualitative assessment.

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

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

- Overdue for more than 90 days. The definition of default in practice is based on the criterion that the debt is overdue for more than 90 days.
- Convinced that the debt will not be paid. If the borrower is deemed to be unable to perform its obligations on the loan, the borrower should be considered in default, regardless of whether there is a delayed debt balance or the number of days of default.

**IX. DERECOGNITION OF FINANCIAL INSTRUMENTS**

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

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

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**IX. DERECOGNITION OF FINANCIAL INSTRUMENTS(Continued)**

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

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

**c) Derecognition of financial liabilities**

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

**d) Reclassification of financial instruments**

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

**e) Restructuring and refinancing of financial instruments**

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

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

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

- All of the overdue payments that cause the loan to be classified in the non-performing loans have been collected without using the collaterals.
- There is no delayed payment of the receivable as of the reclassification date and the last two payments before this date are due and complete.
- Ensuring the classification requirements of the company in the Stage 1 or Stage 2.

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

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

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**X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES**

None.

**XI. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

Securities subject to repurchase agreements (“Repo”) are classified as “Financial Assets at Fair Value Through Profit or Loss”, “Financial Assets at Fair Value Through Other Comprehensive Income” and “Financial Assets Measured at Amortized Cost” in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. Funds obtained under repurchase agreements are accounted under “Funds provided under repurchase agreements” in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the “Effective interest (internal return) method”. Funds given against securities purchased under agreements to resell (“Reverse repo”) are accounted under “Receivables from money market” in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the “Effective interest rate method”. The Bank has no securities lending transactions.

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

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

As of 30 September 2022 and 31 December 2021, the Bank has no discontinued operations.

**XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

As of 30 September 2022, there is no net book value of goodwill (31 December 2021: None).

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**XV. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

**XVI. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

**Explanations on TFRS 16 Leasing Transactions:**

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

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**XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)**

**Explanations on TFRS 16 Leasing Transactions: (Continued)**

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

**Right of use assets**

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

The right use includes the presence of:

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

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

**Lease Liabilities**

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

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

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

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

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

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

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**XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)**

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

**Short-term leases and leases of low-value assets**

The Bank applies the short-term lease registration exemption to short-term machinery and equipment lease agreements (i.e. assets that have a lease term of 12 months or less from the commencement date and do not have an option to purchase). It also applies the exemption from accounting for low value assets to office equipment whose rental value is considered to be of low value. Short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Due to the Bank’s implementation of TFRS 16, rights of use assets classified under tangible assets as of 30 September 2022 amounted to TL 84.167 (31 December 2021: TL 86.481), lease liability amounted to TL 82.509 (31 December 2021: TL 101.697), depreciation expense amounted to TL 29.248 (30 September 2021: TL 29.992) and interest expense amounted to TL 12.878 (30 September 2021: TL 13.745).

**XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES**

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

**XVIII. EXPLANATIONS ON CONTINGENT ASSETS**

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

**XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 6,54% (31 December 2021: 6,54%).

As of 30 September 2022, actuarial loss amounted to TL 47.994 (31 December 2021: TL 13.600 loss) is recognized under other profit reserves in the financial statements.

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

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**XX. EXPLANATIONS ON TAXATION**

**a. Current Tax:**

In accordance with Article 32 of the Corporate Tax Law No. 5520, which was published in the Official Gazette dated 21 June 2006 and numbered 26205, the corporate tax rate was determined as 20%. Pursuant to the amendment made in the Corporate Tax Law with the Law No. 7394, which was published in the Official Gazette dated 15 April 2022 and numbered 31810; The corporate tax rate has been permanently increased to 25% for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. The aforementioned regulation is under the provision that it will be applied, starting from the declarations that must be submitted as of 1 September 2022 and to be valid for the corporate earnings for the taxation period starting from 1 January 2022. According to this; The tax rate is applied as 25% in the third period temporary tax return to be submitted for the earnings of the 3rd quarter accounting period of 2022. The corporate tax rate is applied to the tax base to be calculated by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and deducting the exemptions in the tax laws (such as the subsidiary earnings exception). No further tax is paid if the profit is not distributed.

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

As of the end of the 2021 calendar year, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law (“TPL”). However, with the regulation made with the Law No. 7352 dated 20 January 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this; the TPL financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, will not be subject to inflation adjustment, and for the 2023 accounting period; will not be subject to inflation adjustment as of the temporary tax periods, and the TPL financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions are met. Profit / loss difference arising from inflation adjustment in TPL financial statements will be shown in the profit / loss accounts of previous years and will not affect the corporate tax base.

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.



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**XX. EXPLANATIONS ON TAXATION (Continued)**

**b. Deferred Tax Assets / Liabilities:**

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

In accordance with the Law No. 7316 published on 22 April 2021, it is stipulated that the corporate tax rate will be 25% for the taxation period of 2021, 23% for the taxation period of 2022, and 20% for the taxation period after 2022. Accordingly, the Bank’s assets and liabilities as of 31 December 2021 are evaluated according to their maturities, and deferred tax calculations are made according to the rate of 23% or 20% corresponding to the relevant maturities. Pursuant to the amendment made in the Corporate Tax Law with the Law No. 7394; The corporate tax rate for banks and various other corporations has been increased to 25%. As of 30 September 2022, the Bank has calculated 25% deferred tax for all its assets and liabilities.

Deferred tax assets and liabilities are reflected in the financial statements by netting. Net deferred tax asset resulting from offsetting is shown in the balance sheet as deferred tax asset and net deferred tax liability is shown as deferred tax liability. As of 30 September 2022, the Bank has recognized deferred tax receivable amounting to TL 380.718 as an asset (31 December 2021: The Bank has recognized a deferred tax receivable amounting to TL 665.811 as an asset).

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

**c. Transfer Pricing:**

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

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**XXI. EXPLANATIONS ON BORROWINGS**

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the unconsolidated financial statements enclosed, foreign currency borrowings are translated according to the Bank’s period end exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognized in the financial statements. Also the Bank provides resources through the bond issue. As of 30 September 2022 and 31 December 2021, the Bank has no convertible bonds.

**XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES**

As of 30 September 2022 and 31 December 2021, the Bank has no issued share certificates.

**XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

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

**XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES**

As of 30 September 2022 and 31 December 2021, the Bank has no government incentives.

**XXV. EXPLANATIONS ON OPERATING SEGMENTS**

Segment reporting is presented in Note XII of Section Four.

**XXVI. PROFIT RESERVES AND PROFIT DISTRIBUTION**

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

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

**XXVII. EARNINGS/LOSS PER SHARE**

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

	<b>Current Period 30 September 2022</b>	<b>Prior Period 30 September 2021</b>
Net Earnings/(Loss)for the Period	2.403.945	536.857
Number of Shares	65.229.000.000	65.229.000.000
<b>Earnings/(Loss) per Share (*)</b>	<b>0,036854</b>	<b>0,008230</b>

(\*) 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.

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**XXIX. RELATED PARTIES**

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

**XXX. RECLASSIFICATIONS**

None.

**XXXI. OTHER MATTERS**

None.

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**SECTION FOUR**

**EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY**

Equity and Capital Adequacy Standard Ratio of the Bank is calculated in accordance with “Communiqué on Measurement and Assessment of Capital Adequacy of Banks”, and “Communiqué on Equities of Banks”. As of 30 September 2022, equity of the Bank is amounting to TL 9.487.739 and the Bank’s capital adequacy ratio is 18,89%. As of 31 December 2021, equity of the Bank is amounting to TL 6.656.504 and the Banks’s capital adequacy ratio is 18,71%. Capital adequacy ratio of the Bank is higher than the minimum rate required by the related regulation.

**a. Information about shareholders’ equity items:**

	<b>Current Period 30 September 2022</b>	<b>Prior Period 31 December 2021</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	652.290
Share Premium	-	-
Reserves	3.789.142	2.855.843
Other Comprehensive Income according to TAS	31.018	-
Profit	2.403.945	933.299
Current Period Profit	2.403.945	933.299
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	-
<b>Common Equity Tier I Capital Before Deductions</b>	<b>6.876.395</b>	<b>4.441.432</b>
<b>Deductions From Common Equity Tier I Capital</b>		
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	47.994	23.388
Leasehold Improvements on Operational Leases	19.305	28.443
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	286.865	242.372
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	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>354.164</b>	<b>294.203</b>
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	101.142	202.286
<b>Total Common Equity Tier I Capital</b>	<b>6.623.373</b>	<b>4.349.515</b>

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**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY  
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	Current Period 30 September 2022	Prior Period 31 December 2021
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
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 (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>6.623.373</b>	<b>4.349.515</b>
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2.350.162	1.962.017
Debt Instruments and the Related Issuance Premiums Defined by the BRSA(Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	528.686	367.597
<b>Total Deductions from Tier II Capital</b>	<b>2.878.848</b>	<b>2.329.614</b>
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	177	559
<b>Total Deductions from Tier II Capital</b>	<b>177</b>	<b>559</b>
<b>Total Tier II Capital</b>	<b>2.878.671</b>	<b>2.329.055</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>9.502.044</b>	<b>6.678.570</b>
<b>Amounts Deducted from Equity</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law	40	-
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	14.265	22.066
Other items to be Defined by the BRSA	-	-
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-

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

	Current Period 30 September 2022	Prior Period 31 December 2021
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	9.487.739	6.656.504
Total Risk Weighted Assets	50.228.936	35.575.703
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)	13,19	12,23
Tier I Capital Ratio (%)	13,19	12,23
Capital Adequacy Ratio (%)	18,89	18,71
<b>BUFFERS</b>		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,60	2,52
a) Capital Conservation Buffer Ratio (%)	2,50	2,50
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,01	0,02
c) Systemic significant Bank Buffer Ratio (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital conservation and countercyclical Capital buffers to Risk weighted Assets (%)	4,59	3,71
<b>Amounts Lower Than Excesses as per the Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	1.752.906	1.621.784
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	528.686	367.597
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	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018-1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

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

**a. Items included in capital calculation:**

<b>Information about instruments that will be included in total capital calculation:</b>	
<b>Details on Subordinated Liabilities:</b>	
Issuer	HSBC HOLDINGS PLC
Identifier(s) (CUSIP, ISIN vb.)	Subordinated Loans
Governing law (s) of the instrument	BRSA
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	Not Deducted
Eligible on unconsolidated and /or consolidated basis	Eligible
Instrument type	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	2.350
Nominal value of instrument	2.350
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
<b>Coupon/dividend payment</b>	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	EURIBOR + 6,99%
Existence of any dividend payment restriction	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
<b>Convertible or non-convertible into equity shares</b>	
	In case of the possibility of cancelling the Bank's operational permit or transferring to the Fund; The principal amount and interest payment liabilities of the loan may be terminated in whole or in part in accordance with the decision of the Board in this direction or it may be converted into capital by complying with the required legislation.
If convertible, conversion trigger (s)	Fully convertible
If convertible, fully or partially	
	The conversion rate / value shall be calculated based on the market data in the case of the exercise of the right.
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
<b>Write-down feature</b>	
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 "	It meets the conditions set forth in Articles 7 and 8 of the Regulation on Banks' Equity.
Details of incompliances with article number 7 and 8 of " Own fund regulation "	It meets the conditions set forth in Articles 7 and 8 of the Regulation on Banks' Equity.

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

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

<b>EQUITY ITEMS</b>	<b>T</b>	<b>T-1</b>
Common Equity	6.623.373	6.623.373
Transition process not implemented Common Equity	6.522.230	6.522.230
Tier 1 Capital	6.623.373	6.623.373
Transition process not implemented Tier 1 Capital	6.522.230	6.522.230
Total Capital	9.487.739	9.487.739
Transition process not implemented Equity	9.386.596	9.386.596
<b>TOTAL RISK WEIGHTED AMOUNTS</b>		
Total Risk Weighted Amounts	50.228.936	50.228.936
<b>CAPITAL ADEQUACY RATIO</b>		
Common Equity	13,19	13,19
Transition process not implemented Common Equity Ratio (%)	12,99	12,99
Tier 1 Capital	13,19	13,19
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12,99	12,99
Capital	18,89	18,89
Transition process not implemented Capital Adequacy Ratio (%)	18,69	18,69
<b>LEVERAGE</b>		
Leverage Ratio Total Risk Amount	109.555.217	109.555.217
Leverage (%)	6,05	6,05
Transition process not implemented Leverage Ratio (%)	5,95	5,95

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

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

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

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

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

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



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**II. EXPLANATIONS ON CREDIT RISK**

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

**III. EXPLANATIONS ON COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION**

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

**IV. EXPLANATIONS ON CURRENCY RISK**

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

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

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

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

**c. Management policy for foreign currency risk:**

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

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

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

<b>Current Period – 30 September 2022</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	18,5057	18,0782
<b>Prior Balance Sheet Date</b>		
29 September 2022	18,5327	18,0527
28 September 2022	18,5186	17,8093
27 September 2022	18,4821	17,7539
26 September 2022	18,4474	17,8294
23 September 2022	18,4121	17,9408
<b>Prior Period – 31 December 2021</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	13,2798	15,0924
<b>Prior Balance Sheet Date</b>		
30 December 2021	13,2234	14,9728
29 December 2021	12,5957	14,3037
28 December 2021	11,6821	13,2218
27 December 2021	11,6821	13,2218
24 December 2021	11,6821	13,2218

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**IV. EXPLANATIONS ON CURRENCY RISK (Continued)**

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

As of September 2022, the Bank’s simple arithmetic average foreign exchange rate for USD is TL 18,3113 (December 2021: TL 13,7072) and exchange rate for Euro is TL 18,1461 (December 2021: TL 15,4922).

**f. Information related to Bank’s currency risk:**

<b>Current Period – 30 September 2022</b>	<b>Euro</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	2.975.380	5.482.281	2.384.694	10.842.355
Banks	-	260.141	26.094	286.235
Financial Assets at Fair Value through Profit or Loss (Net) (***)	860.841	3.796.640	44.175	4.701.656
Interbank Money Market Placements	-	21.653.914	-	21.653.914
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	12.354.967	8.090.567	14	20.445.548
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	2.477	112.089	73.666	188.232
<b>Total Assets</b>	<b>16.193.665</b>	<b>39.395.632</b>	<b>2.528.643</b>	<b>58.117.940</b>
<b>Liabilities</b>				
Bank Deposits	33.161	18.847	9.791	61.799
Foreign Currency Deposits	9.722.605	23.427.502	11.777.343	44.927.450
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	2.391.887	-	-	2.391.887
Marketable Securities Issued (Net)	-	-	-	-
Miscellaneous Payables	1.091	1.177.366	14.981	1.193.438
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	369.946	3.732.127	29.434	4.131.507
<b>Total Liabilities</b>	<b>12.518.690</b>	<b>28.355.842</b>	<b>11.831.549</b>	<b>52.706.081</b>
<b>Net on Balance Sheet Position</b> (***)	<b>3.674.975</b>	<b>11.039.790</b>	<b>(9.302.906)</b>	<b>5.411.859</b>
<b>Net Off-Balance Sheet Position</b> (***)	<b>(2.678.482)</b>	<b>(10.226.270)</b>	<b>9.311.427</b>	<b>(3.593.325)</b>
Financial Derivative Assets	12.122.902	23.479.869	14.013.213	49.615.984
Financial Derivative Liabilities	14.801.384	33.706.139	4.701.786	53.209.309
<b>Non-cash Loans</b>	<b>3.930.870</b>	<b>9.190.691</b>	<b>1.274.859</b>	<b>14.396.420</b>
<b>Prior Period - 31 December 2021</b>				
Total Assets	15.064.861	39.017.355	2.077.392	56.159.608
Total Liabilities	14.284.687	29.245.060	10.233.077	53.762.824
<b>Net on-Balance Sheet Position</b>	<b>780.174</b>	<b>9.772.295</b>	<b>(8.155.685)</b>	<b>2.396.784</b>
<b>Net off-Balance Sheet Position</b>	<b>(622.967)</b>	<b>(10.193.502)</b>	<b>8.146.892</b>	<b>(2.669.577)</b>
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	2.701.623	8.658.839	1.048.978	12.409.440

(\*) As of 30 September 2022, there are foreign currency indexed loans amounting to TL 4.026 (31 December 2021: TL 5.469).

(\*\*) Derivative Financial Liabilities amounting to TL 3.972.622 (31 December 2021: TL 4.844.088) are included in Other Liabilities.

(\*\*\*) Derivative Financial Assets amounting to TL 4.628.142 (31 December 2021: TL 3.579.534) are included in Financial Assets at Fair Value Through Profit or Loss.

(\*\*\*\*) Includes long positions held in the balance sheet for stage 1 and stage 2 foreign currency expected loss provisions in accordance with TFRS 9.

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**V. EXPLANATIONS ON INTEREST RATE RISK**

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

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

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

Current Period – 30 September 2022	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Non- Interest Bearing	Total
<b>Assets</b>							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey <sup>(*)</sup>	8.809.863	-	-	-	-	2.339.540	11.149.403
Banks <sup>(*)</sup>	-	-	-	-	-	286.224	286.224
Financial Assets at Fair Value Through Profit or Loss (Net) <sup>(**)</sup>	495.133	764.169	1.756.366	2.949.450	43.311	4.225	6.012.654
Interbank Money Market Placements <sup>(*)</sup>	29.344.052	383.482	-	-	-	-	29.727.534
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	868.778	1.810.595	720.351	-	3.399.724
Loans	8.385.572	8.283.531	12.531.390	7.515.068	375.149	64.809	37.155.519
Financial Assets Measured at Amortized Cost	-	-	-	843.150	851.912	-	1.695.062
Other Assets	1.708	-	23	21.029	-	1.661.496	1.684.256
<b>Total Assets</b>	<b>47.036.328</b>	<b>9.431.182</b>	<b>15.156.557</b>	<b>13.139.292</b>	<b>1.990.723</b>	<b>4.356.294</b>	<b>91.110.376</b>
<b>Liabilities</b>							
Bank Deposits	167.794	-	-	-	-	178.907	346.701
Other Deposits	25.064.606	12.725.117	2.620.029	35.530	-	31.612.769	72.058.051
Funds from Interbank Money Market	1.811.654	-	-	-	-	-	1.811.654
Miscellaneous Payables	-	-	-	-	-	1.880.425	1.880.425
Marketable Securities Issued (Net)	178.294	-	-	-	-	-	178.294
Funds Borrowed	2.380.643	-	-	-	-	11.244	2.391.887
Other Liabilities <sup>(***)</sup> <sup>(**)</sup>	493.026	603.192	1.036.897	3.328.821	13.064	6.968.364	12.443.364
<b>Total Liabilities</b>	<b>30.096.017</b>	<b>13.328.309</b>	<b>3.656.926</b>	<b>3.364.351</b>	<b>13.064</b>	<b>40.651.709</b>	<b>91.110.376</b>
Balance Sheet Long Position	16.940.311	-	11.499.631	9.774.941	1.977.659	-	40.192.542
Balance Sheet Short Position	-	(3.897.127)	-	-	-	(36.295.415)	(40.192.542)
Off-Balance Sheet Long Position	23.205	193.215	695.821	-	-	-	912.241
Off-Balance Sheet Short Position	-	-	-	(3.332)	-	-	(3.332)
<b>Total Position</b>	<b>16.963.513</b>	<b>(3.703.912)</b>	<b>12.195.452</b>	<b>9.771.609</b>	<b>1.977.659</b>	<b>(36.295.412)</b>	<b>908.909</b>

(\*) Cash Assets, (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) Receivables from the CBRT, Banks and Money Markets items include the expected loss provision balance amounting to TL 5.326.

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

(\*\*\*) Equity is shown in the “Non-interest” column in “Other Liabilities”.

(\*\*\*\*) Financial Assets Valued at Amortized Cost Includes expected loss provisions balance amounting to TL 3.915.

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**V. EXPLANATIONS ON INTEREST RATE RISK (Continued)**

<b>Prior Period –31 December 2021</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
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 (*)	931.584	-	-	-	-	67.663	999.247
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	344.891	729.094	980.169	1.958.161	76.928	4.225	4.093.468
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	7.663.087	3.106.622	9.706.823	6.520.805	1.206.252	103.128	28.306.717
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.135	-	52	8.111	-	1.310.414	1.319.712
<b>Total Assets</b>	<b>44.421.297</b>	<b>3.835.716</b>	<b>10.811.193</b>	<b>10.868.907</b>	<b>1.422.500</b>	<b>4.290.679</b>	<b>75.650.292</b>
<b>Liabilities</b>							
Bank Deposits	229.420	-	-	-	-	86.004	315.424
Other Deposits	25.375.702	4.221.938	979.358	4.674	-	27.070.774	57.652.446
Funds from Interbank Money Market	2.309.195	-	-	-	-	-	2.309.195
Miscellaneous Payables	-	-	-	-	-	1.250.236	1.250.236
Marketable Securities Issued (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	4.390.017	10.651.136
<b>Total Liabilities</b>	<b>30.561.991</b>	<b>5.398.889</b>	<b>4.528.114</b>	<b>2.317.728</b>	<b>45.653</b>	<b>32.797.917</b>	<b>75.650.292</b>
Balance Sheet Long Position	13.859.306	-	6.283.079	8.551.179	1.376.847	-	30.070.411
Balance Sheet Short Position	-	(1.563.173)	-	-	-	(28.507.238)	(30.070.411)
Off-Balance Sheet Long Position	-	-	-	1.311	-	-	1.311
Off-Balance Sheet Short Position	(688.948)	(133.669)	(574.718)	-	-	-	(1.397.335)
<b>Total Position</b>	<b>13.170.358</b>	<b>(1.696.842)</b>	<b>5.708.361</b>	<b>8.552.490</b>	<b>1.376.847</b>	<b>(28.507.238)</b>	<b>(1.396.024)</b>

(\*) Cash Equivalents, (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) Items Receivable from CBRT, Banks and Money Markets include the expected loss provision balance amounting to TL 5.905.

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

(\*\*\*) Equity is shown in the “Non-interest” column in “Other Liabilities”.

**b. Effective average interest rates for monetary financial instruments:**

<b>Current Period – 30 September 2022</b>	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	7,08	9,40	-	14,36
Interbank Money Market Placements	-	2,98	-	13,02
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	19,64
Loans	5,46	8,11	-	25,55
Financial Assets Measured at Amortized Cost	-	-	-	15,14
<b>Liabilities</b>				
Bank Deposits	-	-	-	9,41
Other Deposits	0,75	1,55	-	15,22
Funds From Interbank Money Market	-	-	-	12,00
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	26,15
Funds Provided from Other Financial Institutions	7,20	-	-	-

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**V. EXPLANATIONS ON INTEREST RATE RISK (Continued)**

<b>Prior Period – 31 December 2021</b>	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
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	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	5,25	6,69	-	17,43
Interbank Money Market Placements	-	0,03	-	14,48
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	17,09
Loans	3,78	5,06	-	22,65
Financial Assets Measured at Amortized Cost	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	12,27
Other Deposits	0,06	0,30	-	15,25
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	-	-

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

**Position risk of equity securities in banking book:**

As of 30 September 2022, the Bank has no financial assets that would cause a significant effect on its equity securities position (31 December 2021: None).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Information on liquidity risk mitigation techniques:**

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

**Explanation of the usage of stress test:**

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

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

**General Information on liquidity emergency and contingency plans:**

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

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

**a. Liquidity coverage rate:**

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

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

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

**Explanation regarding the components of high quality liquid assets:**

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

**Components density of fund resources in all funds:**

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

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

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

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

**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.

	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
<b>Current Period – 30.09.2022</b>				
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			39.269.707	29.782.308
<b>Cash Outflows</b>				
Retail and customer deposits	47.271.511	33.020.981	4.580.951	3.302.098
Stable deposits	2.924.000	-	146.200	-
Less stable deposits	44.347.511	33.020.981	4.434.751	3.302.098
Unsecured funding other than retail and small business customers deposits	26.286.626	13.139.395	11.976.097	5.505.627
Operational deposits	-	-	-	-
Non-Operational deposits	24.846.765	13.026.154	10.536.236	5.392.386
Other unsecured funding	1.439.861	113.241	1.439.861	113.241
Secured funding	-	-	-	-
Other cash outflows	2.957.098	7.091.675	2.957.098	7.091.675
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.957.098	7.091.675	2.957.098	7.091.675
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	20.764.003	14.743.072	2.717.469	2.264.125
Other irrevocable or conditionally revocable commitments	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>22.231.615</b>	<b>18.163.525</b>
<b>Cash Inflows</b>				
Secured lending transactions	-	-	-	-
Unsecured lending transactions	10.321.341	5.383.352	7.366.757	3.966.681
Other cash inflows	194.809	3.066.840	194.809	3.066.840
<b>TOTAL CASH INFLOWS</b>	<b>10.516.150</b>	<b>8.450.192</b>	<b>7.561.566</b>	<b>7.033.521</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HQLA STOCK</b>			<b>39.269.707</b>	<b>29.782.308</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>14.670.049</b>	<b>11.130.004</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>267,69</b>	<b>267,59</b>

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



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

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

	<b>Current Period – 30.09.2022</b>			
	<b>TL+FC</b>		<b>FC</b>	
<b>Highest (%)</b>	331,17		575,20	
<b>Date</b>	15.09.2022		17.08.2022	
<b>Lowest (%)</b>	218,55		220,13	
<b>Date</b>	30.09.2022		03.08.2022	
<b>Average (%)</b>	<b>267,69</b>		<b>267,59</b>	
	<b>Total value to which the consideration ratio is not applied (*)</b>		<b>Total value to which the consideration ratio is applied (*)</b>	
<b>Prior Period – 31.12.2021</b>	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			29.164.805	24.630.825
<b>Cash Outflows</b>				
Retail and customer deposits	33.367.445	26.699.831	3.231.687	2.669.983
Stable deposits	2.101.151	-	105.058	-
Less stable deposits	31.266.294	26.699.831	3.126.629	2.669.983
Unsecured funding other than retail and small business customers deposits	19.346.339	12.119.395	8.835.226	5.028.668
Operational deposits	-	-	-	-
Non-Operational deposits	18.360.629	12.048.362	7.849.516	4.957.635
Other unsecured funding	985.710	71.033	985.710	71.033
Secured funding	-	-	-	-
Other cash outflows	1.428.379	4.996.654	1.428.379	4.996.654
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.428.379	4.996.654	1.428.379	4.996.654
Debts related to the structured financial products	-	-	-	-
Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	16.292.814	10.604.504	1.988.406	1.557.934
Other irrevocable or conditionally revocable commitments	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>15.483.698</b>	<b>14.253.239</b>
<b>Cash Inflows</b>				
Secured lending transactions	-	-	-	-
Unsecured lending transactions	6.935.030	4.214.427	5.108.854	3.396.901
Other cash inflows	586.448	4.117.198	586.448	4.117.198
<b>TOTAL CASH INFLOWS</b>	<b>7.521.478</b>	<b>8.331.625</b>	<b>5.695.302</b>	<b>7.514.099</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HQLA STOCK</b>			<b>29.164.805</b>	<b>24.630.825</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>9.788.396</b>	<b>6.739.140</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>297,95</b>	<b>365,49</b>

(\*) 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 2021.

	<b>Prior Period - 31.12.2021</b>	
	<b>TL+FC</b>	<b>FC</b>
<b>Highest (%)</b>	376,98	581,29
<b>Date</b>	04.11.2021	01.12.2021
<b>Lowest (%)</b>	244,65	233,79
<b>Date</b>	18.11.2021	08.10.2021
<b>Average (%)</b>	<b>297,95</b>	<b>365,49</b>

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

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

<b>Current Period – 30 September 2022</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated</b>	<b>Total</b>
<b>Assets</b>								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT(****)	2.339.540	8.809.863	-	-	-	-	-	11.149.403
Banks (****)	286.224	-	-	-	-	-	-	286.224
Financial Assets at Fair Value through Profit or Loss (Net) (***)	-	393.838	353.994	1.404.175	3.755.814	100.608	4.225	6.012.654
Interbank Money Market Placements(****)	-	29.344.052	383.482	-	-	-	-	29.727.534
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	809.935	1.716.634	873.155	-	3.399.724
Loans	-	6.480.018	6.845.569	15.632.249	7.746.444	386.430	64.809	37.155.519
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	838.029	857.033	-	1.695.062
Other Assets(*)	-	1.708	-	23	21.029	-	1.661.496	1.684.256
<b>Total Assets</b>	<b>2.625.764</b>	<b>45.029.479</b>	<b>7.583.045</b>	<b>17.846.382</b>	<b>14.077.950</b>	<b>2.217.226</b>	<b>1.730.530</b>	<b>91.110.376</b>
<b>Liabilities</b>								
Bank Deposits	178.907	167.794	-	-	-	-	-	346.701
Other Deposits	31.612.769	25.064.606	12.725.117	2.620.029	35.530	-	-	72.058.851
Money Market Borrowings	-	1.811.654	-	-	-	-	-	1.811.654
Miscellaneous Payables	-	-	-	-	-	-	1.880.425	1.880.425
Marketable Securities Issued (Net)	-	178.294	-	-	-	-	-	178.294
Funds Provided from Other Financial Institutions	11.244	-	-	-	-	2.380.643	-	2.391.887
Other Liabilities (**)(***)	-	358.980	268.518	898.546	3.893.755	55.201	6.968.364	12.443.364
<b>Total Liabilities</b>	<b>31.802.920</b>	<b>27.581.328</b>	<b>12.993.635</b>	<b>3.518.575</b>	<b>3.929.285</b>	<b>2.435.844</b>	<b>8.848.789</b>	<b>91.110.376</b>
								<b>(29.177.156)</b>
<b>Net Liquidity Excess / (Gap)</b>	<b>)</b>	<b>17.448.151</b>	<b>(5.410.590)</b>	<b>14.327.807</b>	<b>10.148.665</b>	<b>(218.618)</b>	<b>(7.118.259)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>23.206</b>	<b>46.811</b>	<b>695.411</b>	<b>143.481</b>	<b>-</b>	<b>-</b>	<b>908.909</b>
Derivative Financial Assets	-	33.840.249	16.240.303	14.791.838	20.960.899	1.125.400	-	86.958.689
Derivative Financial Liabilities	-	33.817.043	16.193.492	14.096.427	20.817.418	1.125.400	-	86.049.780
Non-cash Loans	14.159.542	311.472	670.115	779.100	11.027	-	-	15.931.255
<b>Prior Period - 31 December 2021</b>								
Total Assets	2.872.912	43.013.999	4.225.094	10.883.900	11.767.544	1.469.076	1.417.767	75.650.292
Total Liabilities	27.157.664	28.563.570	5.238.610	4.537.129	2.482.636	2.030.430	5.640.253	75.650.292
								<b>(24.284.752)</b>
<b>Net Liquidity Excess / (Gap)</b>	<b>)</b>	<b>14.450.429</b>	<b>(1.013.516)</b>	<b>6.346.771</b>	<b>9.284.908</b>	<b>(561.354)</b>	<b>(4.222.486)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(376.689)</b>	<b>(218.931)</b>	<b>(550.039)</b>	<b>86.572</b>	<b>-</b>	<b>-</b>	<b>(1.059.087)</b>
Derivative Financial Assets	-	25.419.365	9.056.242	16.332.507	16.806.416	1.576.793	-	69.191.323
Derivative Financial Liabilities	-	25.796.054	9.275.173	16.882.546	16.719.844	1.576.793	-	70.250.410
Non-cash Loans	10.522.985	491.879	304.978	2.351.744	35.755	1.084	-	13.708.425

(\*) 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 5.326.

(\*\*\*\*\*) Financial Assets Valued at Amortized Cost Includes expected loss provisions balance amounting to TL 3.915.

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

**c. Information on securitization positions:**

None.

**VIII. EXPLANATIONS ON LEVERAGE RATIO**

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

	<b>Current Period 30.09.2022 (*)</b>	<b>Prior Period 31.12.2021 (*)</b>
<b>Assets On the Balance Sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	63.459.540	48.893.689
2 (Assets deducted from core capital)	(307.529)	(255.492)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	63.152.011	48.638.197
<b>Derivative Financial Instruments and Loan Derivatives</b>		
4 Renewal cost of derivative financial instruments and loan derivatives	780.747	(338.428)
5 Potential credit risk amount of derivative financial instruments and loan derivatives	539.863	1.931.415
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.320.610	1.592.987
<b>Financing Transactions with Securities or Goods Warranties</b>		
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	850.812	213.345
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)	850.812	213.345
<b>Off-the-Balance Sheet Transactions</b>		
10 Gross nominal amount of the off-the-balance sheet transactions	44.231.784	25.440.052
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)	44.231.784	25.440.052
<b>Capital and Total Risk</b>		
13 Core capital	6.190.060	4.119.187
14 Total risk amount (sum of lines 3,6,9 and 12)	109.555.217	75.884.581
<b>Transition Process Unapplied Leverage Ratio</b>		
15 Transition process unapplied leverage ratio (%)	5,65	5,43

(\*) Table represents three-month average amounts.

**IX. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following required tables have not been presented on 30 September 2022:

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

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**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**Explanations on Risk Management and Risk Weighted Amount:**

**a. Overview of Risk Weighted Amounts:**

	Risk Weighted Amounts		Minimum Capital
	Current Period	Prior Period	Requirements
	30 September 2022	31 December 2021	30 September 2022
Credit risk (excluding counterparty credit risk)	40.307.238	28.305.118	3.224.579
Standardised approach	40.307.238	28.305.118	3.224.579
Internal rating-based approach	-	-	-
Counterparty credit risk	1.987.659	1.102.603	159.013
Standardised approach for counterparty credit risk	1.987.659	1.102.603	159.013
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	3.374.263	2.691.900	269.941
Standardised approach	3.374.263	2.691.900	269.941
Internal model approaches	-	-	-
Operational risk	4.559.776	3.476.082	364.782
Basic indicator approach	4.559.776	3.476.082	364.782
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>Total</b>	<b>50.228.936</b>	<b>35.575.703</b>	<b>4.018.315</b>

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

**XII. EXPLANATIONS ON OPERATING SEGMENTS**

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

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

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**XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)**

	Retail Banking	Corporate Banking	Global Banking(***)	Treasury and Capital Markets	Other	Bank's Total Activities
<b>Current Period</b>						
<b>30 September 2022</b>						
Operating Income	1.153.678	1.326.499	897.797	1.569.419	1.940	4.949.333
Other	-	-	-	-	-	-
<b>Operating Income</b>	<b>1.153.678</b>	<b>1.326.499</b>	<b>897.797</b>	<b>1.569.419</b>	<b>1.940</b>	<b>4.949.333</b>
Segment Net Profit	-	-	-	-	-	-
Undistributed Cost	-	-	-	-	-	-
Operating Profit/(Loss)	279.702	833.996	737.294	1.290.588	(58.686)	3.082.894
<b>Profit before Tax</b>	<b>279.702</b>	<b>833.996</b>	<b>737.294</b>	<b>1.290.588</b>	<b>(58.686)</b>	<b>3.082.894</b>
Corporate Tax Provision (*)	-	-	-	-	(678.949)	(678.949)
<b>Profit after Tax</b>	<b>279.702</b>	<b>833.996</b>	<b>737.294</b>	<b>1.290.588</b>	<b>(737.635)</b>	<b>2.403.945</b>
Non-Controlling Interest	-	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>279.702</b>	<b>833.996</b>	<b>737.294</b>	<b>1.290.588</b>	<b>(737.635)</b>	<b>2.403.945</b>
Segment Assets	3.898.785	22.781.209	10.034.768	54.360.861	-	91.075.623
Associates and Subsidiaries	-	-	-	34.753	-	34.753
Undistributed Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>3.898.785</b>	<b>22.781.209</b>	<b>10.034.768</b>	<b>54.395.614</b>	-	<b>91.110.376</b>
Segment Liabilities	48.129.613	9.177.768	14.224.792	10.599.371	2.150.431	84.281.975
Undistributed Liabilities	-	-	-	-	6.828.401	6.828.401
<b>Total Liabilities</b>	<b>48.129.613</b>	<b>9.177.768</b>	<b>14.224.792</b>	<b>10.599.371</b>	<b>8.978.832</b>	<b>91.110.376</b>
<b>Other Segment Items</b>	<b>1.904.929</b>	-	-	<b>(23.681)</b>	<b>9.422</b>	<b>1.890.670</b>
Capital Investment	-	-	-	-	141.515	141.515
Amortization	-	-	-	-	(132.093)	(132.093)
Impairment	-	-	-	(23.681)	-	(23.681)
Non-Cash Other Income-Expense (**)	1.904.929	-	-	-	-	1.904.929

(\*) 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.

**XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)**

	Retail Banking	Corporate Banking	Global Banking(***)	Treasury and Capital Markets	Other	Bank's Total Activities
<b>Prior Period –</b>						
<b>31 December 2021 (****)</b>						
Operating Income	541.677	956.560	-	386.298	14.434	1.898.969
Other	-	-	-	-	-	-
<b>Operating Income</b>	<b>541.677</b>	<b>956.560</b>	-	<b>386.298</b>	<b>14.434</b>	<b>1.898.969</b>
Segment Net Profit	-	-	-	-	-	-
Undistributed Cost	-	-	-	-	-	-
Operating Profit/(Loss)	(80.919)	609.153	-	200.106	(33.379)	694.961
<b>Profit before Tax</b>	<b>(80.919)</b>	<b>609.153</b>	-	<b>200.106</b>	<b>(33.379)</b>	<b>694.961</b>
Corporate Tax Provision (*)	-	-	-	-	(158.104)	(158.104)
<b>Profit after Tax</b>	<b>(80.919)</b>	<b>609.153</b>	-	<b>200.106</b>	<b>(191.483)</b>	<b>536.857</b>
Non-Controlling Interest	-	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(80.919)</b>	<b>609.153</b>	-	<b>200.106</b>	<b>(191.483)</b>	<b>536.857</b>
Segment Assets	3.404.212	17.968.334	6.939.037	47.303.736	-	75.615.319
Associates and Subsidiaries	-	-	-	34.753	220	34.973
Undistributed Assets	-	-	-	-	-	-
<b>Total Assets</b>	<b>3.404.212</b>	<b>17.968.334</b>	<b>6.939.037</b>	<b>47.338.489</b>	<b>220</b>	<b>75.650.292</b>
Segment Liabilities	37.344.449	8.258.676	11.930.937	11.805.087	1.994.019	71.333.168
Undistributed Liabilities	-	-	-	-	4.317.124	4.317.124
<b>Total Liabilities</b>	<b>37.344.449</b>	<b>8.258.676</b>	<b>11.930.937</b>	<b>11.805.087</b>	<b>6.311.143</b>	<b>75.650.292</b>
<b>Other Segment Items</b>	<b>(110.457)</b>	-	-	<b>(4.029)</b>	<b>(20.779)</b>	<b>(135.265)</b>
Capital Investment	-	-	-	-	80.174	80.174
Amortization	-	-	-	-	(100.953)	(100.953)
Impairment	-	-	-	(4.029)	-	(4.029)
Non-Cash Other Income-Expense (**)	(110.457)	-	-	-	-	(110.457)

(\*) Corporate tax provision is not distributed.

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

(\*\*\*) 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.

(\*\*\*\*) Income-Expense items represent the amounts of 30 September 2021.

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**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED  
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**I. EXPLANATIONS AND NOTES RELATED TO ASSETS**

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

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

	Current Period 30 September 2022		Prior Period 31 December 2021	
	TL	FC	TL	FC
Cash/Foreign Currency	83.187	2.011.439	64.316	1.746.458
The CBRT	226.878	8.830.916	1.005.937	8.374.511
<b>Total</b>	<b>310.065</b>	<b>10.842.355</b>	<b>1.070.253</b>	<b>10.120.969</b>

**2. Information related to balances with the CBRT:**

	Current Period 30 September 2022		Prior Period 31 December 2021	
	TL	FC	TL	FC
Unrestricted Demand Deposit	226.878	18.292	980.551	14.186
Unrestricted Time Deposit	-	-	25.386	-
Restricted Time Deposit	-	-	-	-
Reserve Requirements	-	8.812.624	-	8.360.325
<b>Total</b>	<b>226.878</b>	<b>8.830.916</b>	<b>1.005.937</b>	<b>8.374.511</b>

**3. Explanation on reserve deposits:**

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

As of 30 September 2022, Turkish lira required reserve ratios for Turkish lira deposits and other liabilities range from 3% to 8% (31 December 2021: 3% to 8%) and for foreign exchange deposits and other liabilities range from 5% to 26% (31 December 2021: 5% to 26%).

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

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

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

	<b>Current Period 30 September 2022</b>	<b>Prior Period 31 December 2021</b>
Collateral/Blocked	568.972	-
Repurchase Agreement	-	-
Unrestricted	283.956	213.298
<b>Total</b>	<b>852.928</b>	<b>213.298</b>

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

	<b>Current Period 30 September 2022</b>		<b>Prior Period 31 December 2021</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	1.572	879.430	-	454.562
Swap Transactions	525.787	1.003.017	296.411	656.254
Futures Transactions	-	-	-	-
Options	-	2.745.695	-	2.468.718
Other	-	-	-	-
<b>Total</b>	<b>527.359</b>	<b>4.628.142</b>	<b>296.411</b>	<b>3.579.534</b>

**c. Information on banks:**

**1. Information on banks and other financial institutions:**

	<b>Current Period 30 September 2022</b>		<b>Prior Period 31 December 2021</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Banks</b>				
Domestic	10	-	9	-
Foreign	-	286.235	2.001	997.400
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>10</b>	<b>286.235</b>	<b>2.010</b>	<b>997.400</b>

**2. Information on foreign bank accounts:**

Not disclosed in the interim period.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

	Current Period 30 September 2022	Prior Period 31 December 2021
Collateral/Blocked	1.379.529	799.472
Repurchase Agreement	1.752.852	2.280.902
Unrestricted	267.343	576.682
<b>Total</b>	<b>3.399.724</b>	<b>3.657.056</b>

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

	Current Period 30 September 2022	Prior Period 31 December 2021
<b>Debt Securities</b>	<b>3.399.884</b>	<b>3.765.202</b>
Quoted to Stock Exchange	3.399.884	3.765.202
Not Quoted	-	-
<b>Share Certificate</b>	-	-
Quoted to Stock Exchange	-	-
Not Quoted	-	-
<b>Impairment Provision (-)</b>	<b>160</b>	<b>108.146</b>
<b>Total</b>	<b>3.399.724</b>	<b>3.657.056</b>

e. Information related to loans:

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

	Current Period 30 September 2022		Prior Period 31 December 2021	
	Cash	Non-cash	Cash	Non-cash
<b>Direct Loans Granted to Shareholders</b>	-	144.562	-	94.346
Corporate Shareholders	-	144.562	-	94.346
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	484.359	-	444.756
<b>Loans Granted to Employees</b>	29.287	-	19.746	-
<b>Total</b>	<b>29.287</b>	<b>628.921</b>	<b>19.746</b>	<b>539.102</b>



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

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

Cash Loans	Loans under Close Monitoring			
	Standard Loans	Loans not Subject to Restructuring	Restructured Loans Loans with Revised Contract Terms	Refinancing
<b>Non-specialized Loans<sup>(*)</sup></b>	<b>25.721.634</b>	<b>9.527.007</b>	<b>3.514.537</b>	-
Working Capital Loans	9.134.357	7.511.511	3.277.998	-
Export Loans	9.953.568	1.177.704	223.918	-
Import Loans	1.899.888	-	-	-
Loans Given to Financial Sector	956.794	572.903	-	-
Retail Loans	1.552.339	83.238	743	-
Credit Cards	2.224.688	181.651	11.878	-
Other	-	-	-	-
<b>Specialized Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>25.721.634</b>	<b>9.527.007</b>	<b>3.514.537</b>	-

(\*) Includes the factoring receivables amounting to TL 153.182.

	Current Period 30 September 2022		Prior Period 31 December 2021	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	102.635	-	157.744	-
Significant Increase in Credit Risk	-	1.569.833	-	1.399.090
<b>Total</b>	<b>102.635</b>	<b>1.569.833</b>	<b>157.744</b>	<b>1.399.090</b>

**3. Breakdown of loans according to their maturities:**

Not disclosed in the interim period.

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

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

	Short-term	Medium and Long-term	Total
<b>Consumer Loans-TL</b>	<b>403.661</b>	<b>1.120.896</b>	<b>1.524.557</b>
Mortgage Loans	-	103.210	103.210
Automotive Loans	2.117	74.715	76.832
Consumer Loans	401.544	942.627	1.344.171
Other	-	344	344
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>159</b>	<b>159</b>
Mortgage Loans	-	159	159
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>2.364.213</b>	<b>9.925</b>	<b>2.374.138</b>
Instalment	889.191	9.925	899.116
Non Instalment	1.475.022	-	1.475.022
<b>Individual Credit Cards-FC</b>	<b>15.012</b>	<b>-</b>	<b>15.012</b>
Instalment	925	-	925
Non Instalment	14.087	-	14.087
<b>Personnel Loans-TL</b>	<b>4.422</b>	<b>11.881</b>	<b>16.303</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	4.422	11.881	16.303
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>12.795</b>	<b>-</b>	<b>12.795</b>
Instalment	6.214	-	6.214
Non Instalment	6.581	-	6.581
<b>Personnel Credit Cards-FC</b>	<b>189</b>	<b>-</b>	<b>189</b>
Instalment	-	-	-
Non Instalment	189	-	189
<b>Overdraft Account-TL (Individual)</b>	<b>95.301</b>	<b>-</b>	<b>95.301</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>2.895.593</b>	<b>1.142.861</b>	<b>4.038.454</b>

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

	Short-term	Medium and Long-term	Total
<b>Commercial Instalment Loans-TL</b>	-	4.210	4.210
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	4.210	4.210
Other	-	-	-
<b>Commercial Instalment Loans- FC Indexed</b>	-	32.505	32.505
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	32.505	32.505
Other	-	-	-
<b>Commercial Instalment Loans-FC</b>	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	12.531	-	12.531
Instalment	1.302	-	1.302
Non Instalment	11.229	-	11.229
<b>Corporate Credit Cards-FC</b>	3.552	-	3.552
Instalment	-	-	-
Non Instalment	3.552	-	3.552
<b>Overdraft Account-TL (Commercial)</b>	-	-	-
<b>Overdraft Account-FC (Commercial)</b>	-	-	-
<b>Total</b>	<b>16.083</b>	<b>36.715</b>	<b>52.798</b>

**6. Loans according to types of borrowers:**

Not disclosed in the interim period.

**7. Distribution of domestic and foreign loans:**

	Current Period 30 September 2022	Prior Period 31 December 2021
Domestic Loans	38.538.514	29.315.022
Foreign Loans	224.664	445.401
<b>Total (*)</b>	<b>38.763.178</b>	<b>29.760.423</b>

(\*) As of 30 September 2022, it includes factoring receivables amounting to TL 153.182 (31 December 2021: TL 286.586).

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**8. Loans granted to investments in associates and subsidiaries:**

As of 30 September 2022 and 31 December 2021 the Bank has no loans granted to investments in associates and subsidiaries.

**9. Specific provisions provided against loans:**

	<b>Current Period 30 September 2022</b>	<b>Prior Period 31 December 2021</b>
Loans with Limited Collectability	5.305	9.451
Loans with Doubtful Collectability	13.784	16.368
Uncollectible Loans	151.409	219.714
<b>Total</b>	<b>170.498</b>	<b>245.533</b>

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

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

	<b>III. Group Loans with Limited Collectability</b>	<b>IV. Group Loans with Doubtful Collectability</b>	<b>V. Group Uncollectible Loans</b>
	y	y	
<b>Current Period: 30 September 2022</b>			
Gross Amounts Before Provisions	-	-	58.837
Rescheduled Loans	-	-	58.837
<b>Prior Period: 31 December 2021</b>			
Gross Amounts Before Provisions	-	-	76.290
Rescheduled Loans	-	-	76.290

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

	<b>III. Group Loans with Limited Collectability</b>	<b>IV. Group Loans with Doubtful Collectability</b>	<b>V. Group Uncollectible Loans</b>
<b>Balance at the end of Prior Period: 31 December 2021</b>	<b>16.212</b>	<b>20.767</b>	<b>311.682</b>
Additions (+)	31.916	1.452	4.025
Transfers from Other Categories of Non-Performing Loans (+)	-	30.009	25.736
Transfers to Other Categories of Non-Performing Loans (-)	30.009	25.736	-
Collections (-)	9.479	9.359	43.980
Write-offs (-) (*)	-	-	74.108
Sold Portfolio (-)	-	-	13.821
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Balance at the End of the Period: 30 September 2022</b>	<b>8.640</b>	<b>17.133</b>	<b>209.534</b>
Provisions (-)	5.305	13.784	151.409
<b>Net Balance in Balance Sheet</b>	<b>3.335</b>	<b>3.349</b>	<b>58.125</b>

(\*) As of 30 September 2022, the Bank's non-performing loan ratio decreased from 0.79% to 0.60% after the loans written off in the current period in accordance with the amendment in the related Provisions Regulation.

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

As of 30 September 2022, there are no non-performing loans granted as foreign currency loans (31 December 2021: None).

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
<b>Current Period (Net): 30 September 2022</b>	<b>3.335</b>	<b>4.406</b>	<b>63.941</b>
Loans granted to corporate entities and real persons (Gross)	8.640	17.133	209.534
Provisions Amount (-)	5.305	13.784	151.409
Loans granted to corporate entities and real persons (Net)	3.335	3.349	58.125
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
<b>Prior Period (Net): 31 December 2021</b>	<b>6.761</b>	<b>4.399</b>	<b>91.968</b>
Loans granted to corporate entities and real persons (Gross)	16.212	20.767	311.682
Provisions Amount (-)	9.451	16.368	219.714
Loans granted to corporate entities and real persons (Net)	6.761	4.399	91.968
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
<b>Current Period (Net)</b>	<b>140</b>	<b>289</b>	<b>4.769</b>
Interest Accruals and Rediscount with Valuation Differences	503	1.721	10.978
Provision amount (-)	363	1.432	6.209
<b>Prior Period (Net)</b>	<b>355</b>	<b>587</b>	<b>6.272</b>
Interest Accruals and Rediscount with Valuation Differences	1.157	2.716	15.586
Provision amount (-)	802	2.129	9.314

**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 (real and/or legal) having guarantees subject to the risk is being sought and actions either aimed at liquidation of collateral in the loan risk warranty or aimed at proceedings without judgement are taken. In case of obtaining no result in consequence of these actions, liquidation subject to requirements within the framework of legal regulations designated by the Bank's top management occurs.

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

Within the scope of the “Regulation Amending the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Set aside”, which was published in the Official Gazette dated 27 November 2019 and numbered 30961, may exclude the portion of which there is no reasonable expectation from the balance sheet. The bank makes an objective evaluation while determining whether there is a reasonable expectation.

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

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

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

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

**f. Explanations on financial assets measured at amortized cost:**

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

	Current Period 30 September 2022		Prior Period 31 December 2021	
	TL	FC	TL	FC
Collateral/Blocked	1.691.461	-	-	-
Subject to Repo Transactions	-	-	-	-
<b>Total</b>	<b>1.691.461</b>	<b>-</b>	<b>-</b>	<b>-</b>

**2. Information on government debt securities held-to-maturity:**

	Current Period 30 September 2022	Prior Period 31 December 2021
Government Bond	1.698.977	-
Treasury Bill	-	-
Other Public Debt Securities	-	-
<b>Total</b>	<b>1.698.977</b>	<b>-</b>

**3. Information on financial assets measured at amortized cost:**

	Current Period 30 September 2022	Prior Period 31 December 2021
Debt Securities	1.698.977	-
Traded in the Stock Exchange	1.698.977	-
Not Traded in the Stock Exchange	-	-
Other Public Debt Securities	-	-
<b>Total</b>	<b>1.698.977</b>	<b>-</b>

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

	Current Period 30 September 2022	Prior Period 31 December 2021
Value at the Beginning of the Period	-	-
Currency Differences in Monetary Assets	-	-
Purchases During the Year	1.669.725	-
Disposal through Sale and Redemption	-	-
Valuation Effect	29.252	-
<b>Total</b>	<b>1.698.977</b>	<b>-</b>

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

**g. Information on associates (Net):**

As of 30 September 2022 and 31 December 2021, the Bank has no associates.

**h. Information on subsidiaries (Net):**

**1. Information on the unconsolidated subsidiaries:**

As of 30 September 2022, the Bank has no subsidiaries that are not included in the scope of consolidation. As of 31 December 2021, the liquidation process of HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş., which is not included in the scope of consolidation of the Bank, started on 17 October 2019 and was liquidated on 28 March 2022.

**2. Information on the consolidated subsidiaries:**

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

**a) Consolidated subsidiaries:**

Title	Address (City/Country)	Bank's Share Percentage- If Different Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
HSBC Yatırım ve Menkul Değerler A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394. İSTANBUL	100.00	-

**b) Main financial figures of the subsidiaries, in the order of the above table<sup>(\*)</sup>:**

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss <sup>(**)</sup>	Fair Value
204.638	139.788	3.677	6.605	915	24.139	19.087	-

(\*) Prepared on the reviewed 30 June 2022 consolidated financial statements.

(\*\*) Prepared on the reviewed 30 June 2021 consolidated financial statements.

**3. Movement schedule of the consolidated subsidiaries:**

	Current Period 30 September 2022	Prior Period 31 December 2021
<b>Balance at the Beginning of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Movements During the Period</b>	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of the Period (%)</b>	<b>100.00</b>	<b>100.00</b>

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

	<b>Current Period 30 September 2022</b>	<b>Prior Period 31 December 2021</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

**5. Subsidiaries quoted on a stock exchange:**

As of 30 September 2022 and 31 December 2021, the Bank does not have any partnerships listed on the stock exchange.

**i. Information on jointly controlled entities:**

a. As of 30 September 2022 and 31 December 2021, the Bank does not have any jointly controlled entities.

b. Since the Bank does not have any joint ventures as of 30 September 2022 and 31 December 2021, the accounting method for jointly controlled entities has not been determined

**j. Information on financial lease receivables (Net):**

As of 30 September 2022 and 31 December 2021, the Bank does not have any financial lease receivables.

**k. Information on hedging derivative financial assets:**

As of 30 September 2022 and 31 December 2021, the Bank has no derivative financial assets for hedging purposes.

**l. Explanations on property and equipment:**

Not disclosed in the interim period.

**m. Information on intangible assets:**

Not disclosed in the interim period.

**n. Information on the investment properties:**

As of 30 September 2022 and 31 December 2021, the Bank has no investment properties.



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**o. Explanations on deferred tax asset:**

As of 30 September 2022, deferred tax asset of the Bank is TL 380.718 (31 December 2021: TL 665.811). Temporary differences subject to deferred tax calculation result from mainly the loan provisions to be deducted from tax, other provisions allocated within the scope of TAS 37, tax values and debts of fixed assets and financial assets, and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank, are netted-off and accounted. As of 30 September 2022 The Bank’s information regarding deferred tax have been explained in Note XX of Section Three.

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

As of 30 September 2022 and 31 December 2021, the Bank has no assets held for sale.

**r. Information on other assets:**

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

	<b>Current Period 30 September 2022</b>	<b>Prior Period 31 December 2021</b>
Miscellaneous Receivables (*)	442.457	27.144
Prepaid Expenses	67.633	45.217
Debited Suspense Accounts	136.750	79.803
Other Rediscount Income (**)	144.409	38.772
Other Assets	479	-
<b>Total</b>	<b>791.728</b>	<b>190.936</b>

(\*) Includes BIST guarantees.

(\*\*) As of 30 September 2022 amount of TL 6.377 provision provided for Miscellaneous Receivables within the scope of TFRS 9 (31 December 2021: TL 1.123).

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

As of 30 September 2022 and 31 December 2021 the Bank has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

**a. Information on deposits**

**1. Information on maturity structure of the deposits:**

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

**1(i). Current Period – 30 September 2022:**

	Demand	With 7 Days Maturity	Up to 1 Month	1-3 Months	3-6 Months	6 Months - 1 Year	1 Year And Over	Cumulative Deposit	Total
Saving Deposits	517.589	-	963.799	952.702	10.428.069	1.030.201	619.331	-	14.511.691
Foreign Currency Deposits	22.449.873	-	5.332.010	8.768.669	1.391.938	149.661	182.323	-	38.274.474
Residents in Turkey	20.001.109	-	5.085.580	7.718.643	1.264.033	69.799	52.550	-	34.191.714
Residents Abroad	2.448.764	-	246.430	1.050.026	127.905	79.862	129.773	-	4.082.760
Public Sector Deposits	3.924	-	-	-	-	-	-	-	3.924
Commercial Deposits	2.456.131	-	5.472.640	343.370	3.400.449	454.979	474.003	-	12.601.572
Other Institutions Deposits	13.156	-	258	-	-	-	-	-	13.414
Precious Metal Deposit	6.172.097	-	15.745	438.917	16.670	8.755	792	-	6.652.976
Bank Deposits	178.907	-	167.794	-	-	-	-	-	346.701
The CBRT	61.569	-	-	-	-	-	-	-	61.569
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	117.338	-	167.794	-	-	-	-	-	285.132
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>31.791.677</b>	<b>-</b>	<b>11.952.246</b>	<b>10.503.658</b>	<b>15.237.126</b>	<b>1.643.596</b>	<b>1.276.449</b>	<b>-</b>	<b>72.404.752</b>

**1(ii). Prior Period- 31 December 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	529.001	-	1.755.589	2.932.962	1.001.446	148.416	240.529	-	6.607.943
Foreign Currency Deposits	19.916.435	-	8.507.173	9.756.201	261.868	122.546	218.436	-	38.782.659
Residents in Turkey	18.152.943	-	8.329.197	8.821.546	162.587	58.864	98.488	-	35.623.625
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	-	4.379.570	347.679	64.470	5.126	11.076	-	5.643.734
Other Institutions Deposits	6.312	-	408	-	-	-	-	-	6.720
Precious Metal Deposit	5.780.578	-	35.651	488.386	15.475	7.769	619	-	6.328.478
Bank Deposits	86.004	-	229.420	-	-	-	-	-	315.424
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	86.004	-	229.420	-	-	-	-	-	315.424
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>27.156.779</b>	<b>-</b>	<b>15.188.087</b>	<b>13.525.228</b>	<b>1.343.259</b>	<b>283.857</b>	<b>470.660</b>	<b>-</b>	<b>57.967.870</b>

Foreign exchange-protected deposit product, the operating rules of which are determined by the Ministry of Treasury and Finance and the CBRT, and which ensures that TL deposits are valued with interest rates and are protected against foreign currency exchange rates, is offered to bank customers. As of 30 September 2022, the foreign exchange-protected deposit amount in this context is TL 15.515.376.

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

**2. Information on saving deposits insurance:**

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

	Covered by Deposit	Exceeding Deposit	Covered by Deposit	Exceeding Deposit
	Insurance Fund	Insurance Limit	Insurance Fund	Insurance Limit
	Current Period	Current Period	Prior Period	Prior Period
<b>Saving Deposits</b>	<b>30 September 2022</b>	<b>30 September 2022</b>	<b>31 December 2021</b>	<b>31 December 2021</b>
Saving Deposits	4.329.506	10.182.185	2.341.610	4.266.333
Foreign Currency Saving Deposits	5.290.159	22.020.536	4.349.547	20.447.196
Other Deposits in the Form of Saving	791.729	5.749.053	608.626	5.383.215
Foreign Branches’ Deposits under Foreign Authorities’ Insurance Coverage	-	-	-	-
Off-Shore Banking Regions’ Deposits under Foreign Authorities’ Insurance Coverage	-	-	-	-
<b>Total</b>	<b>10.411.394</b>	<b>37.951.774</b>	<b>7.299.783</b>	<b>30.096.744</b>

(\*) In accordance with the “Regulation Amending the Regulation on Insurance Deposit and Participation Funds and Premiums to be Collected by the Savings Deposit Insurance Fund” published in the Official Gazette dated 27 August 2022 and numbered 31936, official institutions, all deposit and participation funds, except those belonging to official institutions, credit institutions and financial institutions within the scope of credit institutions, have started to be insured. In this context, commercial deposits covered by insurance amount to TL 155.356 and the relevant amount is not included in the footnote.

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

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

	Current Period	Prior Period
	30 September 2022	31 December 2021
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	37.822	31.494
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26/09/2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities	-	-

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

**b. Information on trading derivative financial liabilities:**

**Table of negative differences for trading derivative financial liabilities:**

	Current Period 30 September 2022		Prior Period 31 December 2021	
	TL	FC	TL	FC
Forward Transactions	-	520.683	-	1.908.647
Swap Transactions	481.547	707.212	131.184	469.365
Future Transactions	-	-	-	-
Options	-	2.744.727	-	2.466.076
Other	-	-	-	-
<b>Total</b>	<b>481.547</b>	<b>3.972.622</b>	<b>131.184</b>	<b>4.844.088</b>

**c. Information on funds provided under repurchase agreements:**

As of 30 September 2022, the Bank’s funds obtained from repo transactions amount to TL 1.811.654 (31 December 2021: TL 2.309.195).

**d. Information on funds borrowed:**

**1. Information on banks and other financial institutions:**

	Current Period 30 September 2022		Prior Period 31 December 2021	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	-	-
Foreign Banks and Institutions and Funds	-	11.164	-	957.868
<b>Total</b>	<b>-</b>	<b>11.164</b>	<b>-</b>	<b>957.868</b>

**2. Information on the maturity structure of funds borrowed:**

	Current Period 30 September 2022		Prior Period 31 December 2021	
	TL	FC	TL	FC
Short-Term	-	11.164	-	887
Medium and Long-Term	-	-	-	956.981
<b>Total</b>	<b>-</b>	<b>11.164</b>	<b>-</b>	<b>957.868</b>

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

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

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

**e. Information on marketable securities issued:**

	Current Period 30 September 2022		Prior Period 31 December 2021	
	TL	FC	TL	FC
Bank Bills	178.294	-	529.156	-
Bonds	-	-	-	-
<b>Total</b>	<b>178.294</b>	<b>-</b>	<b>529.156</b>	<b>-</b>

**f. Information on foreign other liabilities:**

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

**g. Information on financial leasing agreements:**

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

	Current Period 30 September 2022	Prior Period 31 December 2021
Less than 1 year	10.564	7.633
Between 1- 4 years	44.351	37.593
More than 4 years	27.594	56.471
<b>Total</b>	<b>82.509</b>	<b>101.697</b>

**h. Information on derivative financial liabilities for hedging purposes:**

As of 30 September 2022 the Bank has no derivative financial liabilities on hedging purposes (31 December 2021: None).

**i. Information on provisions:**

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

	Current Period 30 September 2022	Prior Period 31 December 2021
Provisions for off-balance sheet commitments (*)	75.111	59.045

(\*) In accordance with TFRS 9, the expected loss provisions on Stage 1, Stage 2 and Stage 3 non-cash loans are in the “Other Provisions” in the liabilities. With TFRS 9 transaction expected loss for cash loans and other financial assets are classified under assets.

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**2. Information on employee benefit provisions:**

As of 30 September 2022, the Bank has employee termination benefit provision amounting to TL 112.841 (31 December 2021: TL 58.760), and unused vacation provision amounting to TL 27.123 (31 December 2021: TL 14.133).

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

The compensation to be paid is one month’s salary for each year of service and this amount is limited to TL 15.371,40 (full TL amount) (31 December 2021: TL 8.284,51 (full TL amount)). Severance pay liability is not legally subject to any funding and there is no funding requirement.

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

The assumption is that the severance pay ceiling applicable for each year of service will increase each year at the rate of inflation. Thus, the discount rate applied will on the expected real rate after adjusting on expected effects of inflation. The severance pay liability of the Bank is calculated over TL 15.371,40 (full TL amount) (31 December 2021: TL 8.284,51 (full TL amount)) effective from 1 January 2022, since the severance pay ceiling is determined every six months.

	<b>Current Period 30 September 2022</b>	<b>Prior Period 31 December 2021</b>
As of 1 January	58.760	59.857
Service Cost	3.137	3.412
Interest Cost	8.906	8.036
Actuarial Loss / (Gain)	46.992	(8.827)
Paid in Current Period	(4.954)	(3.718)
<b>Total</b>	<b>112.841</b>	<b>58.760</b>

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

As of 30 September 2022, there is no foreign on provision for foreign currency indexed loans (31 December 2021: None).

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

As of 30 September 2022, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.625 (31 December 2021: TL 1.603).

**5. Information on restructuring provisions:**

As of 30 September 2022, the Bank has no provisions for restructuring (31 December 2021: None).

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

**6. Information on other provisions:**

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

As of 30 September 2022, the Bank has no free provisions for possible risks (31 December 2021: None).

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

	<b>Current Period 30 September 2022</b>	<b>Prior Period 31 December 2021</b>
Provision for Lawsuits	51.700	51.218
Provision for Accumulated Credit Card Bonus	6.288	4.720
Return Provision of Case File Expenses	215	351
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.615	1.603
Other Provisions (*)	84.542	76.653
<b>Total</b>	<b>144.360</b>	<b>134.545</b>

(\*) As of 30 September 2022 other provisions amounting TL 75.111 (31 December 2021: TL 59.045) with TFRS 9 Stage 1 and Stage 2 non-cash loans provision for expected losses and includes other provisions within TAS 37.

**j. Explanations on tax liability:**

**1. Explanations on current tax liability:**

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

**1(i). Information on taxes payable:**

	<b>Current Period 30 September 2022</b>	<b>Prior Period 31 December 2021</b>
Taxation on Marketable Securities	19.744	20.555
Banking Insurance Transaction Tax (BITT)	32.341	20.574
Value Added Tax Payable	1.458	1.374
Capital Gains Tax on Property	483	325
Foreign Exchange Transaction Tax	6.238	13.349
Corporate Taxes Payable	136.333	559.157
Other (*)	16.367	9.257
<b>Total</b>	<b>212.964</b>	<b>624.591</b>

(\*) As of 30 September 2022, There is income tax deducted from wages amounting to TL 14.896 (31 December 2021: TL 8.485), stamp duty of TL 408 (31 December 2021: TL 251), other taxes amounting to TL 833 (31 December 2021: TL 266) and TL 233 self-employment income tax (31 December 2021: TL 255).

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

**1(ii). Information on premium payables:**

	<b>Current Period 30 September 2022</b>	<b>Prior Period 31 December 2021</b>
Social Security Premiums – Employer	7.567	4.316
Social Security Premiums – Employee	11.275	7.265
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	1.055	634
Unemployment Insurance – Employee	797	512
Other	-	-
<b>Total</b>	<b>20.694</b>	<b>12.727</b>

**2. Information on deferred tax liability:**

Information on the Bank’s deferred tax liability as of 30 September 2022 is explained in Note XX of Section Three.

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

As of 30 September 2022 and 31 December 2021, the Bank does not have any liabilities related on current assets held for sale.

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

Not disclosed in the interim period.



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

**m. Information on shareholder’s equity:**

**1. Presentation of paid-in capital:**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2022</b>	<b>31 December 2021</b>
Common Stock Provision	652.290	652.290
Preferred Stock Provision	-	-

The paid-in capital of the Bank is shown above in nominal terms. As of 30 September 2022, there is a capital reserve of TL 272.693 (31 December 2021: TL 272.693) and TL 50.880 (31 December 2021: 38.195) other capital reserves arising from the adjustment of the paid-in capital for inflation.

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

Registered share capital system is not applied.

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

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

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

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

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

The Bank has no capital commitments.

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

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

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

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

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

**8. Information on valuation differences of marketable securities:**

	Current Period		Prior Period	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021
	TL	FC	TL	FC
<b>From Investments in Associates, Subsidiaries, and Joint Ventures</b>	-	-	-	-
Valuation Difference	-	-	-	-
Foreign Currency Difference	-	-	-	-
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>	<b>(31.018)</b>	-	<b>(110.708)</b>	-
Valuation Difference	(31.018)	-	(110.708)	-
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>(31.018)</b>	-	<b>(110.708)</b>	-

**9. Information on revaluation value increase fund:**

As of 30 September 2022 and 31 December 2021, the Bank has no revaluation value increase fund.

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

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

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

**a. Explanation on liabilities in off-balance sheet accounts:**

**1. Type and amount of irrevocable commitments:**

	Current Period	Prior Period
	30 September 2022	31 December 2021
Asset Purchase and Sale Commitments	16.013.317	8.162.753
Commitments for Credit Card Limits	3.925.270	3.428.483
Commitments for Cheques	13.284	14.709
Loan Granting Commitments	115.080	237.911
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	27.130	22.104
Tax and Fund Liabilities from Export Commitments	2.286	2.286
Other Irrevocable Commitments	500.792	535.242
<b>Total</b>	<b>20.597.159</b>	<b>12.403.488</b>

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

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

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

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

	Current Period 30 September 2022	Prior Period 31 December 2021
Letters of Guarantee	9.299.809	7.359.163
Letters of Credit	6.171.829	5.994.093
Bank Acceptances	-	-
Other Guarantees	459.617	355.169
<b>Total</b>	<b>15.931.255</b>	<b>13.708.425</b>

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

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

**3. Information on the non-cash loans:**

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

	Current Period 30 September 2022	Prior Period 31 December 2021
<b>Non- Cash Loans Given for Cash Loan Risks Non- Cash Loans</b>	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More Than One Year	-	-
<b>Other Non-Cash Loans</b>	<b>15.931.255</b>	<b>13.708.425</b>
<b>Total</b>	<b>15.931.255</b>	<b>13.708.425</b>

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

**b. Explanations on derivative transactions:**

Not disclosed in the interim period.

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

None.

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

**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 30 September 2022, 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 Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 September 2022 the total amount of these lawsuits filed against the Bank is TL 51.700 (31 December 2021: TL 51.218). A total provision of TL 51.915 (31 December 2021: TL 51.569) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favor, with TL 215 (31 December 2021: TL 351) being for provisions for refunds related to case document charges.

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT**

**a. Information on interest income:**

**1. Information on interest income received from loans:**

	Current Period		Prior Period	
	30 September 2022		30 September 2021	
	TL	FC	TL	FC
<b>Interest Income on Loans (*)</b>				
Short-Term Loans	2.369.308	359.387	977.340	150.513
Medium and Long-Term Loans	357.098	476.463	185.808	315.411
Interest on Loans Under Follow-Up	19.764	939	13.945	1.523
Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>2.746.170</b>	<b>836.789</b>	<b>1.177.093</b>	<b>467.447</b>

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

**2. Information on interest income received from banks:**

	Current Period		Prior Period	
	30 September 2022		30 September 2021	
	TL	FC	TL	FC
The CBRT	2.490	-	97	-
Domestic Banks	148.285	-	153.181	2
Foreign Banks	818	6.141	412	397
Headquarters and Branches of Foreign Banks	-	-	-	-
<b>Total</b>	<b>151.593</b>	<b>6.141</b>	<b>153.690</b>	<b>399</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT**

**3. Information on interest income on marketable securities:**

	Current Period 30 September 2022		Prior Period 30 September 2021	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	62.396	8.208	79.456	4.808
Financial Assets at Fair Value Through Other Comprehensive Income	545.736	-	474.986	-
Financial Assets Measured at Amortized Cost	29.252	-	-	-
<b>Total</b>	<b>637.384</b>	<b>8.208</b>	<b>554.442</b>	<b>4.808</b>

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

As of 30 September 2022 and 30 September 2021, the Bank has no interest income from its associates and subsidiaries.

**b. Information on interest expense:**

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

	Current Period 30 September 2022		Prior Period 30 September 2021	
	TL	FC	TL	FC
Banks	-	-	-	-
The CBRT	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	121.244	-	90.417
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>121.244</b>	<b>-</b>	<b>90.417</b>

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

	Current Period 30 September 2022	Prior Period 30 September 2021
Interest Expenses Given to Subsidiaries and Associates	2.720	3.033

**3. Information on interest expense to marketable securities issued:**

	Current Period 30 September 2022		Prior Period 30 September 2021	
	TL	FC	TL	FC
Interest expense to marketable securities issued	70.580	-	150.425	-
<b>Total</b>	<b>70.580</b>	<b>-</b>	<b>150.425</b>	<b>-</b>

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

**4. Maturity structure of the interest expense on deposits:**

Current Period: 30 September 2022	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		
<b>Turkish Lira</b>								
Interbank deposits	-	42.381	-	-	-	-	-	42.381
Saving deposits	-	196.965	259.948	784.963	64.641	59.626	-	1.366.143
Public sector deposits	-	7.900	-	-	-	-	-	7.900
Commercial deposits	-	461.330	42.426	127.501	93.357	33.918	-	758.532
Other deposits	-	20	-	-	-	-	-	20
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>708.596</b>	<b>302.374</b>	<b>912.464</b>	<b>157.998</b>	<b>93.544</b>	-	<b>2.174.976</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	21.468	35.763	9.230	205	342	-	67.008
Interbank deposits	-	323	-	-	-	-	-	323
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	342	13	9	-	-	364
<b>Total</b>	-	<b>21.791</b>	<b>36.105</b>	<b>9.243</b>	<b>214</b>	<b>342</b>	-	<b>67.695</b>
<b>Grand Total</b>	-	<b>730.387</b>	<b>338.479</b>	<b>921.707</b>	<b>158.212</b>	<b>93.886</b>	-	<b>2.242.671</b>

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

**5. Information on interest given on repurchase agreements:**

In the interim account period ending on 30 September 2022, the interest paid on repo transactions is TL 62.430 (30 September 2021: TL 31.286).

**6. Information on finance lease expenses:**

Financial leasing expense of the Bank for the periods ending on 30 September 2022 is TL 12.878 (30 September 2021: TL 13.745).

**7. Information on interest given on factoring payables:**

The Bank has no factoring expenses for the interim accounting periods ending on 30 September 2022 and 30 September 2021.

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

**c. Explanations on dividend income:**

Dividend income amounting to TL 24.200 (30 September 2021: TL 32.843) for the interim accounting period ending on 30 September 2022 is the amount corresponding to the Bank's share from the profit distribution of its subsidiaries.

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

**1. Trading income/loss (Net):**

	<b>Current Period 30 September 2022</b>	<b>Prior Period 30 September 2021</b>
<b>Profit</b>	<b>366.669.005</b>	<b>185.196.205</b>
Capital Market Transactions Income	585.536	217.778
Gain on Derivative Financial Transactions	11.979.504	5.293.589
Foreign Exchange Gains	354.103.965	179.684.838
<b>Loss (-)</b>	<b>364.757.377</b>	<b>184.903.756</b>
Capital Market Transactions Loss	368.560	193.900
Loss on Derivative Financial Transactions	11.561.002	4.956.949
Foreign Exchange Loss	352.827.815	179.752.907
<b>Total (Net)</b>	<b>1.911.628</b>	<b>292.449</b>

**e. Information on other operating income:**

	<b>Current Period 30 September 2022</b>	<b>Prior Period 30 September 2021</b>
Reverse of Previous Years Expenses <sup>(*)</sup>	81.403	75.515
Gain on Sale of Assets	3.004	29.834
Provision for Telecommunication Expense	3.932	2.740
Other Income	116.203	48.642
<b>Total</b>	<b>204.542</b>	<b>156.731</b>

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

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

	<b>Current Period 30 September 2022</b>	<b>Prior Period 30 September 2021</b>
Expected Credit Loss	187.614	57.959
12 Months Expected Credit Loss (Stage 1)	-	-
Significant Increase in Credit Risk (Stage 2)	187.614	57.959
Non-performing Loans (Stage 3)	-	-
Marketable Securities Impairment Expense	23.681	4.029
Financial Assets at Fair Value Through Profit or Loss	22.917	2.724
Financial Assets at Fair Value Through Other Comprehensive Income	764	1.305
Investments in Associates, Subsidiaries and Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities	-	-
Other	-	-
<b>Total</b>	<b>211.295</b>	<b>61.988</b>

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

**g. Information related to other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2022</b>	<b>30 September 2021</b>
Reserve for Employee Termination Benefits	-	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	54.363	57.224
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	77.730	43.727
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
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	275.356	183.876
Leasing Expenses on TFRS 16 Exceptions	8.084	7.042
Maintenance Licensing Expenses	94.984	53.784
Maintenance Expenses	27.288	19.078
Communication Expenses	12.487	10.899
Advertisement Expenses	16.362	25.499
Other Expenses	116.151	67.574
Loss on Sales of Assets	922	1.976
Tax, Duties, Charges and Funds Expenses	110.196	79.948
Saving Deposit Insurance Fund Expenses	62.214	40.866
Other <sup>(*)</sup>	272.918	266.196
<b>Total</b>	<b>853.699</b>	<b>673.815</b>

(\*) Of the TL 272.918 amount (30 September 2021: TL 266.196) shown in the Other line, TL 1.405 is audit and consultancy fees (30 September 2021: TL 850), TL 151 is from the arbitral tribunal expenses (30 September 2021: TL 343) and the remaining TL 271.362 consists of other expenses (30 September 2021: TL 265.003).

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

Not disclosed in the interim period.

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

As of 30 September 2022, the current tax provision expense of the Bank is TL 382.335 (30 September 2021: TL 179.739) and deferred tax expense is TL 296.614 (30 September 2021: TL 21.635 income).

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

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



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

**k. Explanation on net profit and loss for the period:**

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

In the interim period ended on 30 September 2022, net interest income occupies an important place among income items with TL 2.283.930 (30 September 2021: TL 1.105.220), net fee and commission incomes with TL 525.033 (30 September 2021: TL 311.726). Fees and commission income from cash loans are shown in net interest income. Considering the distribution within the interest income, the most important sources of the Bank's interest income are the interests received from loans, securities and the interbank money market. The largest part of the interest expenses consists of the interests paid to the deposits and the interests given to the loans used. The most important part of commission income is the commissions received from credit card transactions and other banking activities.

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

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

**1. Explanation on other items stated in the income statement:**

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

	<b>Current Period 30 September 2022</b>	<b>Prior Period 30 September 2021</b>
Credit Card Transactions	198.890	141.050
Insurance Commissions	44.159	32.371
Commissions Received from Banking Transactions	16.989	7.996
Tefas Fund Platform	39.423	24.829
Other Fee and Commissions	90.799	62.103
<b>Total</b>	<b>390.260</b>	<b>268.349</b>

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

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

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

Not disclosed in the interim period.

**2. Information on increase in cash flow hedge items:**

Not disclosed in the interim period.

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

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

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

Not disclosed in the interim period.

**2. Information on cash flow hedges:**

Not disclosed in the interim period.

**c. Information on dividend distribution:**

None.

**d. Information on issuance of common stock:**

Not disclosed in the interim period.

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

Not disclosed in the interim period.

**f. Offsetting prior period's losses:**

Not disclosed in the interim period.

**VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOW**

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

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

Not disclosed in the interim period.

**d. Information on cash and cash equivalents:**

Not disclosed in the interim period.

**e. Additional information:**

None.

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

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

**Current Period – 30 September 2022:**

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Individuals and Legal Entities in the Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans						
Opening Balance	-	315	-	539.102	172	-
Closing Balance	-	470	-	628.921	122	-
Interest and Commission Income	-	6	-	18.037	20	-

**Prior Period - 31 December 2021:**

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Individuals and Legal Entities in the Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and Other Receivables						
Opening Balance	-	133	49.609	535.289	408	-
Closing Balance	-	315	-	539.102	172	-
Interest and Commission Income (*)	-	4	863	6.574	-	-

(\*) Prior period balances represent 30 September 2021 amounts.

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

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Individuals and Legal Entities in the Risk Group</b>	
	<b>Current Period</b>		<b>Current Period</b>		<b>Current Period</b>	
<b>Deposit</b>	<b>30 September 2022</b>		<b>30 September 2022</b>		<b>30 September 2022</b>	
Opening Balance	47.161	180.832			69.784	
Closing Balance	41.690	199.843			36.670	
Interest Expense on Deposits	2.720	54			754	

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Individuals and Legal Entities in the Risk Group</b>	
	<b>Prior Period</b>		<b>Prior Period</b>		<b>Prior Period</b>	
<b>Deposit</b>	<b>31 December 2021</b>		<b>31 December 2021</b>		<b>31 December 2021</b>	
Opening Balance	69.820	186.266			42.579	
Closing Balance	47.161	180.832			69.784	
Interest Expense on Deposits (*)	3.033	-			927	

(\*) Prior period balances represent 30 September 2021 amounts.

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

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

<b>Risk Group of the Group</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)</b>	<b>Direct or Indirect Shareholders of the Bank</b>	<b>Other Individuals and Legal Entities in the Risk Group</b>
	<b>Current Period 30 September 2022</b>	<b>Current Period 30 September 2022</b>	<b>Current Period 30 September 2022</b>
<b>The Fair Value Differences Through Profit and Loss</b>			
Opening Balance	-	37.211.717	-
Closing Balance	-	48.113.186	-
Total Profit/Loss	-	33.643	-
<b>Transactions for Hedging Purposes</b>			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

<b>Risk Group of the Group</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)</b>	<b>Direct or Indirect Shareholders of the Bank</b>	<b>Other Individuals and Legal Entities in the Risk Group</b>
	<b>Prior Period 31 December 2021</b>	<b>Prior Period 31 December 2021</b>	<b>Prior Period 31 December 2021</b>
<b>The Fair Value Differences Through Profit and Loss</b>			
Opening Balance	-	42.775.309	-
Closing Balance	-	37.211.717	-
Total Profit/Loss (*)	-	89.114	-
<b>Transactions for Hedging Purposes</b>			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss (*)	-	-	-

(\*) Prior period balances represent 30 September 2021 amounts.

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

As of 30 September 2022, a payment of TL 59.274 (30 September 2021: TL 36.610) has been made to the Board of Directors and top executives of the Bank.

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

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

Not disclosed in the interim period.

**IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

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**SECTION SIX**

**EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT**

The unconsolidated financial statements for the interim period ended 30 September 2022 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent audit report dated 7 November 2022 is presented preceding the consolidated financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR**

None.

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**SECTION SEVEN**

**INTERIM ACTIVITY REPORT**

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

**GENERAL INFORMATION**

**1. Summary information about HSBC Bank A.Ş**

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

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

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

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

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

**2. Capital and shareholding structure**

The Bank has made no changes in their capital and shareholding structure as well as its shareholders who directly or indirectly; individually or as a group has an influence over the Bank's audit and management, as of the accounting period ended on 30 September 2022. HSBC Middle East Holdings B.V. has a shareholding rate of 89.99% and HSBC Bank Middle East Limited has 10.01% shareholding rate of the Bank's shares. HSBC Bank A.Ş.'s Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of 30 September 2022, HSBC Bank A.Ş.'s paid-in capital is TL 652.290 Thousand and its capital structure is as follows.

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

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**I. INTERIM ACTIVITY REPORT WHICH WILL INCLUDE EVALUATIONS FROM  
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**3. Information on Branches and Personnel**

As of 30 September 2022, the Bank has 70 domestic branches (31 December 2021: 70 domestic branches). As of 30 September 2022, the number of personnel of the Bank is 1.879 (31 December 2021: 1.873).

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

HSBC Bank A.Ş.’s Articles of Association had no changes in 1 January – 30 September 2022 period.

**5. Chairman and Members of the Board of Directors**

As of 30 September 2022, the members of the Board of Directors are as follows.

<b>Name and Surname</b>	<b>Title</b>
Paul Joseph Lawrence	Chairman of the Board
Didem Çerçi	Deputy Chairman of the Board of Directors
Süleyman Selim Kervancı	Member, CEO
Robert Adrian Underwood	Member
Ayşe Ebru Dorman	Member
Robert Cyril Oates	Member
Christopher James Hatton	Member

**6. Audit Committee**

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

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

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

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**7. Executive Management**

HSBC Bank A.Ş. Executive Management as of 30 September 2022 is as follows.

<b>Name and Surname</b>	<b>Title</b>	<b>Area of Responsibility</b>
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Ercan Oğul	Chairman of the Inspection Board	HSBC Bank A.Ş.
Anthony Wright	Executive Vice President	Credit and Risk
Ayşe Yenel	Executive Vice President	Retail Banking
Burçin Ozan	Executive Vice President and Deputy CEO	Finance
Funda Temoçin Aydoğan	Executive Vice President	Human Resources
İbrahim Namık Aksel	Executive Vice President	Treasury and Capital Markets
Tolga Tüzüner	Head Legal Advisor	Legal
Dilek Güleç Salzburg	Executive Vice President	Global Banking
Caner Işlak	Executive Vice President	Corporate Banking
Tuğçe Bora Kılıç	Executive Vice President	Technology and Services

**8. HSBC Bank’s Financial Power Rating**

According to the evaluations of Moody's Credit Rating Agency, the ratings of HSBC Bank A.Ş. as of 30 September 2022 are as follows.

<b>Definitions</b>	<b>Rating</b>
Baseline Credit Assessment	Caa1
Outlook	Stable
Long-term foreign currency deposit rating	B3
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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RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)**

**9. Summary of unconsolidated financial information for the Period**

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

According to the unconsolidated financial statements, in the period ending on 30 September 2022, the total assets of HSBC Bank A.Ş. increased by 20% compared to the end of 2021 and reached TL 91 billion. At the end of the period, loans constituting approximately 41% of assets are around TL 39 billion. Deposits, which are the biggest funding source of the balance sheet, amounted to TL 72 billion and constituted 79% of liabilities. The period-end balances of the unconsolidated balance sheet item groups are shown below.

<b>ASSETS (Thousand TL)</b>	<b>30.09.2022</b>	<b>31.12.2021</b>
Financial Assets (Net)	50.575.539	46.023.863
Other Financial Assets Measured at Amortized Cost	38.850.581	28.306.717
Non-Current Assets or Disposal Groups “Held for Sale” and Held from Discontinued Operations (Net)	-	-
Equity Investments	34.753	34.973
Property and Equipment (Net)	190.192	185.620
Intangible Assets (Net)	286.865	242.372
Investment Property (Net)	-	-
Current Tax Asset	-	-
Deferred Tax Asset	380.718	665.811
Other Assets	791.728	190.936
<b>Total Assets</b>	<b>91.110.376</b>	<b>75.650.292</b>
<b>LIABILITIES (Thousand TL)</b>	<b>30.09.2022</b>	<b>31.12.2021</b>
Deposits	72.404.752	57.967.870
Funds Borrowed	11.164	957.868
Money Markets	1.811.654	2.309.195
Securities Issued (Net)	178.294	529.156
Funds	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-
Derivative Financial Liabilities	4.454.169	4.975.272
Factoring Liabilities	-	-
Lease Liabilities	82.509	101.697
Provisions	284.324	207.438
Current Tax Liability	233.658	637.318
Deferred Tax Liability	-	-
Liabilities Related to Non-Current Assets “Held For Sale” and “Held from Discontinued Operations”(Net)	-	-
Subordinated Debt	2.380.723	1.984.831
Other Liabilities	2.440.728	1.662.523
Shareholders' Equity	6.828.401	4.317.124
<b>Total Liabilities</b>	<b>91.110.376</b>	<b>75.650.292</b>

The unconsolidated profit and loss statement information of HSBC Bank as of 30 September 2022 and 30 September 2021 is shown below.

<b>STATEMENT OF INCOME (Thousand TL)</b>	<b>30.09.2022</b>	<b>30.09.2021</b>
Net Interest Income	2.283.930	1.105.220
Other Non-Interest Income	2.665.403	793.749
<b>Total Operating Income/Expense</b>	<b>4.949.333</b>	<b>1.898.969</b>
Other Operating Expenses (-)	1.631.491	1.118.655
Provision for Loan Losses (-)	234.948	85.353
<b>Net Operating Income/(Loss)</b>	<b>3.082.894</b>	<b>694.961</b>
Tax Provision (-)	678.949	158.104
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>2.403.945</b>	<b>536.857</b>

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NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2022**

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

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

**Message from Paul Joseph Lawrence, Chairman of the Board**

The global economy is shaped by increasing inflation in the first three quarters of the year, economic slowdown and problems caused by the negative reflections of the Russia-Ukraine conflict. While the policy reactions of the central banks are the subject of discussion, the fear of recession in the economies of developed countries has come to the fore. Alignment of fiscal and monetary policies is critical for managing these challenging times and ensuring economic stability. The economy is the most important item on the global agenda. However, the social effects of the geopolitical developments are equally important. The dissemination and strengthening of social assistance initiatives will contribute to increasing the resilience of the groups most affected by the energy and food crisis.

As a result of the supportive monetary policy, the Turkish economy displayed a good growth performance in the same period. Despite this positive performance, high inflation and increasing current account deficit remained the most important issues to be followed. The fluctuation in the exchange rate remains under control for now, thanks to the currency-protected deposits.

Despite all the difficulties experienced in the third quarter, our bank continued its steady growth thanks to its effective balance sheet management and correct strategic decisions. We continued to support our economy with all our resources. Compliance with the new regulations introduced by the legal authorities since the beginning of the year within the scope of the liraization strategy continues to be among our top priorities. We continue our activities - without compromising our service quality - in full compliance with the aforementioned macroprudential decisions. As HSBC, we lead the market with our diversified financing models to be used in investments made in our country and financing solutions in line with our sustainability strategy, while maintaining our solid balance sheet structure.

Despite all the difficulties, we continue to create a World full of opportunities for our stakeholders and to serve our customers in a safe and sustainable way. The dedication of our employees, our resilient and flexible business model and our prudent risk management strategy; it strengthens our belief and determination to support our shareholders, customers, employees and the society we are in, while also providing us with energy in this direction. I would like to thank our Board of Directors, Senior Management, employees and customers for their trust and loyalty to HSBC.

Kind Regards,

Paul Joseph Lawrence  
Chairman of the Board

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**Message from Süleyman Selim Kervancı, General Manager**

The global economy is going through a tough time – driven by geopolitical risks, rising inflation and the economic slowdown. Major central banks continue to implement tightening monetary policies to contain inflationary pressures.

After a strong first half performance, we see a slowdown in production activity in the third quarter as a reflection of the economic slowdown in the Euro Area. However, retail volume indices maintained their strong course thanks to demand driven by inflation and negative real interest rates. On the monetary policy side, the Central Bank of the Republic of Turkey continued to cut the policy rate against the slowdown in the manufacturing sector and external risks to domestic economic activity.

In the third quarter of 2022, despite global developments, volatile market conditions and geopolitical risks, our bank continued to grow steadily thanks to its effective balance sheet management and correct strategic decisions and continued to support our economy with all its resources. We maintained our strong performance in the previous periods. We outperformed both our financial results and our budget targets in previous years. In parallel with the sector, we increased our loans by 30%. By prioritizing the Currency Protected Deposit product, we increased our TL deposits by 113% compared to last year. In this way, we also achieved the conversion rate determined by the Central Bank. After the optimization of our risk-weighted assets in line with the regulations that came into force recently, our equity, supported by increased profitability, has become even stronger. On the other hand, we managed to keep our liquidity and funding position well above the legal limits and our risk appetite, with the support of our stable deposit base and Subordinated Loan provided by HSBC Group. In the coming period, we will continue to contribute to the economy, our customers and our shareholders, while managing our balance sheet in compliance with the regulations, with the support of HSBC Group’s strategy and our corporate network.

Our secure and sustainable growth performance is based on 4 basic strategies: i) we focus on our strong areas. ii) we expand digitalization in every possible field iii) we work to accelerate the transition to a net Zero carbon economy iv) we empower growth opportunities for a leaner, more agile and effective organizational structure.

The third quarter was a period in which we achieved results in the light of these targets.

Our Treasury business unit quickly adapted to new regulations and changes in the market, maintaining its competitive structure, strong pricing and revenue performance.

Another focus area is priority trade corridors within the scope of International Subsidiary Banking. In the field of International Banking, we also displayed a successful performance in new customer acquisition and growth. Despite all the difficulties, we continued to support our customers and review our portfolio with outstanding transactions in the market.

Digitalization and Net Zero are among the strategic priorities for HSBC Turkey. We implemented 31 projects in 2022 to further expand digitalization. The Digital Customer Acquisition project and customized solutions for the needs of our customers were also reflected as strong new customer acquisition on the Asset Management and Private Banking side.

Environmental Sustainability Equity Fund, the sustainable energy supply agreement we signed, 85% recyclable debit cards, Sustainable Growth Program, Finance for the Future, Increasing Cuisine will help accelerate the transition to a low carbon economy, the sustainability-themed financing transactions we mediate are reflections of our Net Zero strategy and our commitment to creating more value for society.

Despite a challenging operating environment, we are proud to create high value for our stakeholders in line with our strategy. Despite all these challenges, we continued to improve our asset quality. This growth performance, which we have achieved without compromising on risk management, is reflected in the real sector as more financing, an enriched product, service and application portfolio, and more resources that can be allocated to social projects.

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The most important power behind our successful performance is our employees. As always, we continue to empower our employees by offering modern and innovative working methods with our strong corporate culture that prioritizes the well-being and development of our employees, and to invest in the future business life and skills of the future. We strongly believe that we will build an even stronger HSBC with the contribution and determination of all our employees.

As HSBC Turkey, the strength we have with our expertise and prudent risk management strategy; we continue to use it to create the highest value for our customers, employees, shareholders and the society we are in. On behalf of the leadership at our bank, I would like to thank our employees at HSBC Turkey for their performance and their continued dedication. I would also like to express my gratitude to all our stakeholders who see us as their main bank with the confidence they have.

Kind regards,

Selim Kervancı  
General Manager

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**10. Additional Information Regarding the Period 01.01.2022 – 30.09.2022**

None.

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