HSBC BANK A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT 30 SEPTEMBER 2023 TOGETHER WITH AUDITOR'S REVIEW REPORT

(Convenience translation of publicly announced consolidated financial statements and independent auditor's limited review report at 30 September 2023, 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 consolidated balance sheet of HSBC Bank A.Ş. ("the Bank") and its subsidiaries (collectively referred to as the "Group") at 30 September 2023 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-months-period. The Group Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

According to our review, the consolidated interim financial information, the consolidated financial position of HSBC Bank A.Ş as of 30 September 2023 and the consolidated financial performance and consolidated cash flows for the nine-months-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.

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 consolidated financial statements and disclosures in all material respects.

Additional paragraph for convenience translation to English

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 2023. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated 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

İstanbul, 17 November 2023

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I. OF SECTION THREE CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş. AS OF AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023

Address of Bank's Headquarters	: Büyükdere Caddesi No: 128 Esentepe, Şişli 34394, İstanbul
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Web-site	: www.hsbc.com.tr
Contact E-mail Address	: hsbchaberlesmemerkezi@hsbc.com.tr

The consolidated 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 PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

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

The consolidated financial statements for the 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 Çerçi Vice President of the Executive Board/Head of Audit Committee	Süleyman Selim Kervancı General Manager	Burçin Ozan Financial Reporting Assistant General Manager

Robert Adrian Underwood Member of Audit Committee	Yerliozan Kül Group Head

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title	: Burak Özlü / Manager
Tel	: (0212) 376 4209
Fax	: (0212) 376 4912

SECTION ONE
General Information About the Parent Bank

SECTION TWO
Consolidated Financial Statements of the Group

SECTION THREE
Explanations on Accounting Policies

SECTION FOUR
Explanations Related to Financial Structure and Risk Management

SECTION FIVE
Explanations and Notes Related to Consolidated Financial Statements

SECTION SIX
Explanations on Independent Auditor's Limited Review Report

SECTION SEVEN
Interim Activity Report

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

The establishment of HSBC Bank A.Ş. ("The Bank", "The Parent Bank", "HSBC 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 PARENT BANK'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE PARENT BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE PARENT BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THAT THE BANK BELONGS TO

As of 30 September 2023, the Parent 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 Parent Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017. As of 30 September 2023 there have been no changes regarding the Parent Bank's capital structure and shareholders of the Parent Bank who are in charge of the management or auditing of the Parent Bank directly or indirectly.

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

Title	Name	Responsibility	Education
Chairman of the Board:	Paul Joseph LAWRENCE	Chairman	Undergraduate
Vice President of the Executive Board(**):	Didem ÇERÇİ	Deputy Chairman	Undergraduate
Board of Directors:	Süleyman Selim KERVANCI	Member, CEO	Graduate
	Robert Adrian UNDERWOOD	Member	Undergraduate
	Ayşe Ebru DORMAN	Member	Graduate
	Robert Cyril OATES	Member	Undergraduate
CEO:	Süleyman Selim KERVANCI	CEO	Graduate
Head of Internal Audit:	Ercan OĞUL	Head of Internal Audit	Graduate
Deputy CEO:	Burçin OZAN	Finance	Undergraduate
Executive Vice Presidents:	Anthony WRIGHT	Credit and Risk	Graduate
	Ayşe YENEL (*)	Retail Banking	Undergraduate
	Burçin OZAN	Finance	Undergraduate
	Funda TEMOÇİN	Human Resources	Undergraduate
	İbrahim Namık AKSEL	Treasury and Capital Markets	Graduate
	Tolga TÜZÜNER	Head of Legal Advisory	Graduate
	Dilek GÜLEÇ SALZBURG	Global Banking	Undergraduate
	Caner IŞLAK	Corporate Banking	Graduate
	Seyyare ÖZBAŞLI TINAZ	Technology and Services	Graduate
Audit Committee:	Didem ÇERÇİ	Head of the Audit Committee	Undergraduate
	Robert Adrian UNDERWOOD	Member of the Audit Committee	Graduate

(*) Ayşe Yenel resigned from her position as Executive Vice President of Retail Banking as of 14 July 2023.

(**) Christopher James Hatton resigned from his positions as Member of Board of Directors and Member of Audit Committee as of 6 September 2023.

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

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

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

(*) The amounts are expressed in full TL.

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

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

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

In addition to the banking activities within the scope of the above-mentioned articles of association, the Parent Bank provides insurance agency services on behalf of Türkiye Sigorta, Axa Sigorta, Zurich Sigorta, Allianz Hayat ve Emeklilik, Allianz Sigorta, Gulf Sigorta, Allianz Trade (Euler Hermes), Coface and Anadolu Hayat Emeklilik, through its branches. Portfolio sharing, including customer referral, with Marsh Sigorta ve Reasürans Brokerlik, and intermediation in order transmission on behalf of HSBC Yatırım.

As of 30 September 2023, the Parent Bank has 65 domestic branches (31 December 2022: 70 domestic branches).

As of 30 September 2023, the number of employees of the Group is 1.767 (31 December 2022: 1.902).

VI. OTHER MATTERS

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

VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE

The Parent Bank, HSBC Yatırım Menkul Değerler A.Ş., which is fully owned by the Parent Bank and HSBC Portföy Yönetimi A.Ş., a subsidiary of HSBC Yatırım, included in the scope of consolidation.

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

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

VIII. 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 Parent Bank, HSBC Yatırım ve Menkul Değerler A.Ş. is included in the scope of full consolidation with its consolidated financial statements.

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

HSBC BANK A.Ş.
CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2023 AND 31 DECEMBER 2022
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

SECTION TWO
CONSOLIDATED FINANCIAL STATEMENTS

I.	CONSOLIDATED BALANCE SHEET	Note (Section Five I)	Reviewed Current Period (30.09.2023)			Audited Prior Period (31.12.2022)		
	ASSETS		**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**58.860.066**	**34.571.689**	**93.431.755**	**18.009.207**	**28.638.057**	**46.647.264**
1.1	**Cash and Cash Equivalents**		**51.446.398**	**28.487.776**	**79.934.174**	**13.712.598**	**24.269.554**	**37.982.152**
1.1.1	Cash and Balances with Central Bank	(I-a)	4.526.257	13.255.935	17.782.192	1.144.550	11.061.890	12.206.440
1.1.2	Banks	(I-c)	10.430.944	10.417	10.441.361	74.677	120.516	195.193
1.1.3	Money Market Placements		36.494.897	15.227.601	51.722.498	12.502.882	13.087.148	25.590.030
1.1.4	Expected Loss Provision (-)		5.700	6.177	11.877	9.511	-	9.511
1.2	**Financial Assets at Fair Value Through Profit or Loss**	**(I-b)**	**573.785**	**271.794**	**854.579**	**318.004**	**222.320**	**540.324**
1.2.1	Government Debt Securities		568.043	271.794	839.837	312.262	222.320	534.582
1.2.2	Equity Instruments		5.742	-	5.742	5.742	-	5.742
1.2.3	Other Financial Assets		-	-	-	-	-	-
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	**(I-d)**	**5.966.919**	**-**	**5.966.919**	**3.527.513**	**-**	**3.527.513**
1.3.1	Government Debt Securities		5.966.919	-	5.966.919	3.527.513	-	3.527.513
1.3.2	Equity Instruments		-	-	-	-	-	-
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	**Derivative Financial Assets**	**(1-b)**	**872.964**	**5.812.119**	**6.685.083**	**451.092**	**4.146.183**	**4.597.275**
1.4.1	Derivative Financial Assets at Fair Value Through Profit or Loss		872.964	5.812.119	6.685.083	451.092	4.146.183	4.597.275
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-	-	-	-
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**23.006.295**	**25.811.178**	**48.817.473**	**18.838.631**	**20.992.014**	**39.830.645**
2.1	**Loans**	**(I-e)**	**19.792.801**	**27.368.453**	**47.161.254**	**18.200.659**	**20.833.824**	**39.034.483**
2.2	**Lease Receivables**	**(I-j)**	**-**	**-**	**-**	**-**	**-**	**-**
2.3	**Factoring Receivables**		**141.348**	**168.867**	**310.215**	**206.342**	**158.190**	**364.532**
2.4	**Other Financial Assets Measured at Amortized Cost**	**(I-f)**	**3.499.610**	**-**	**3.499.610**	**2.431.825**	**-**	**2.431.825**
2.4.1	Government Debt Securities		3.449.610	-	**3.499.610**	2.431.825	-	2.431.825
2.4.2	Other Financial Assets		-	-	-	-	-	-
2.5	**Expected Credit Losses (-)**		**427.464**	**1.726.142**	**2.153.606**	**2.000.195**	**-**	**2.000.195**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	**(I-p)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1	Held for Sale Purpose		-	-	-	-	-	-
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
4.1	**Investments in Associates (Net)**	**(I-g)**	**-**	**-**	**-**	**-**	**-**	**-**
4.1.1	Accounted Under Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		-	-	-	-	-	-
4.2	**Subsidiaries (Net)**	**(I-h)**	**-**	**-**	**-**	**-**	**-**	**-**
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	**Entities under Common Control (Joint Venture) (Net)**	**(I-i)**	**-**	**-**	**-**	**-**	**-**	**-**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**	**(I-l)**	**293.127**	**-**	**293.127**	**236.710**	**-**	**236.710**
VI.	**INTANGIBLE ASSETS (Net)**	**(I-m)**	**357.130**	**-**	**357.130**	**320.385**	**-**	**320.385**
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		**357.130**	-	**357.130**	320.385	-	320.385
VII.	**INVESTMENT PROPERTY (Net)**	**(I-n)**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSET**	**(I-o)**	**855.612**	**-**	**855.612**	**423.306**	**-**	**423.306**
X.	**OTHER ASSETS**	**(I-r)**	**569.092**	**99.011**	**668.103**	**518.086**	**237.853**	**755.939**
	TOTAL ASSETS		**83.941.322**	**60.481.878**	**144.423.200**	**38.346.325**	**49.867.924**	**88.214.249**

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

HSBC BANK A.Ş.
CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2023 AND 31 DECEMBER 2022

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

I.	**CONSOLIDATED BALANCE SHEET**	**Note (Section Five II)**	**Reviewed Current Period (30.09.2023)**			**Audited Prior Period (31.12.2022)**		
	LIABILITIES		**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**DEPOSITS**	**(II-a)**	**71.609.424**	**42.226.426**	**113.835.850**	**32.481.734**	**38.790.630**	**71.272.364**
II.	**FUNDS BORROWED**	**(II-d)**	-	**5.165.279**	**5.165.279**	-	**132.825**	**132.825**
III.	**MONEY MARKET BALANCES**	**(II-c)**	-	-	-	-	-	-
IV.	**MARKETABLE SECURITIES ISSUED (Net)**	**(II-e)**	-	-	-	-	-	-
4.1	Bills		-	-	-	-	-	-
4.2	Assets Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	**BORROWER FUNDS**		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		-	-	-	-	-	-
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**(II-b)**	**562.876**	**5.483.109**	**6.045.985**	**394.173**	**3.283.285**	**3.677.458**
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		562.876	5.483.109	6.045.985	394.173	3.283.285	3.677.458
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	**FACTORING LIABILITIES**		-	-	-	-	-	-
IX.	**LEASE LIABILITIES**	**(II-g)**	**127.753**	**4.533**	**132.286**	**89.832**	**2.944**	**92.776**
X.	**PROVISIONS**	**(II-i)**	**467.644**	**44.008**	**511.652**	**681.303**	**1.523**	**682.826**
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		182.646	-	182.646	274.662	-	274.662
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		284.998	44.008	329.006	406.641	1.523	408.164
XI.	**CURRENT TAX LIABILITY**	**(II-j)**	**628.449**	-	**628.449**	**360.824**	-	**360.824**
XII.	**DEFERRED TAX LIABILITY**	**(II-j)**	-	-	-	-	-	-
XIII.	**LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)**	**(II-k)**	-	-	-	-	-	-
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBT INSTRUMENTS**	**(II-l)**	-	**3.841.641**	**3.841.641**	-	**2.636.964**	**2.636.964**
14.1	Loans		-	3.841.641	3.841.641	-	2.636.964	2.636.964
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	**OTHER LIABILITIES**	**(II-f)**	**865.470**	**2.209.017**	**3.074.487**	**767.228**	**1.022.215**	**1.789.443**
XVI.	**SHAREHOLDERS' EQUITY**	**(II-m)**	**11.187.571**	-	**11.187.571**	**7.568.769**	-	**7.568.769**
16.1	Paid-in capital		652.290	-	652.290	652.290	-	652.290
16.2	Capital Reserves		1.471.423	-	1.471.423	323.573	-	323.573
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		1.471.423	-	1.471.423	323.573	-	323.573
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(160.768)	-	(160.768)	(142.741)	-	(142.741)
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		201.843	-	201.843	100.572	-	100.572
16.5	Profit Reserves		5.487.225	-	5.487.225	3.568.210	-	3.568.210
16.5.1	Legal Reserves		202.671	-	202.671	202.671	-	202.671
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		5.284.554	-	5.284.554	3.365.539	-	3.365.539
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit Or Loss		3.535.558	-	3.535.558	3.066.865	-	3.066.865
16.6.1	Prior Years' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Year Profit/Loss		3.535.558	-	3.535.558	3.066.865	-	3.066.865
16.7	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**85.449.187**	**58.974.013**	**144.423.200**	**42.343.863**	**45.870.386**	**88.214.249**

The explanations and notes on pages 14 to 84 form an integral part of these consolidated financial statements.

HSBC BANK A.Ş.
CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS
AS OF 30 SEPTEMBER 2023 AND 31 DECEMBER 2022

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

II.	**OFF-BALANCE SHEET COMMITMENTS**	**Note (Section Five III)**	**Reviewed Current Period (30.09.2023)**			**Audited Prior Period (31.12.2022)**		
			TL	**FC**	**Total**	**TL**	**FC**	**Total**
A.	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**77.686.293**	**201.683.166**	**279.369.459**	**51.928.347**	**148.445.383**	**200.373.730**
I.	**GUARANTEES AND COLLATERALS**	**(III-a-2,3)**	**1.695.110**	**22.667.796**	**24.362.906**	**1.626.327**	**12.196.196**	**13.822.523**
1.1	Letters of Guarantee		1.676.610	13.425.369	15.101.979	1.572.827	7.777.638	9.350.465
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		1.676.610	13.425.369	15.101.979	1.572.827	7.777.638	9.350.465
1.2	Bank Acceptances		-	-	-	-	-	-
1.2.1	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2	Other Bank Acceptance		-	-	-	-	-	-
1.3	Letters of Credit		18.500	8.575.056	8.593.556	53.500	3.952.780	4.006.280
1.3.1	Documentary Letters of Credit		18.500	6.755.197	6.773.697	53.500	3.479.149	3.532.649
1.3.2	Other Letters of Credit		-	1.819.859	1.819.859	-	473.631	473.631
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		-	667.371	667.371	-	465.778	465.778
1.9	Other Collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**	**(III-a-1)**	**9.219.006**	**10.766.522**	**19.985.528**	**7.452.965**	**4.211.245**	**11.664.210**
2.1	Irrevocable Commitments		9.219.006	10.766.522	19.985.528	7.452.965	4.211.245	11.664.210
2.1.1	Forward Asset Purchase and Sale Commitments		2.998.505	10.764.037	13.762.542	2.700.790	4.209.549	6.910.339
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		32.327	-	32.327	104.803	-	104.803
2.1.5	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Payment Commitment for Checks		11.202	-	11.202	11.692	-	11.692
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		5.550.605	-	5.550.605	4.091.710	-	4.091.710
2.1.10	Commitments for Promotions Related with Credit Cards and Banking Activities		42.035	-	42.035	29.273	-	29.273
2.1.11	Receivables from Short Sale Commitments		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		582.046	2.485	584.531	512.411	1.696	514.107
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**(III-b)**	**66.772.177**	**168.248.848**	**235.021.025**	**42.849.055**	**132.037.942**	**174.886.997**
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		66.772.177	168.248.848	235.021.025	42.849.055	132.037.942	174.886.997
3.2.1	Forward Foreign Currency Buy/Sell Transactions		12.482.649	40.491.802	52.974.451	12.157.959	30.803.771	42.961.730
3.2.1.1	Forward Foreign Currency Transactions-Buy		11.528.035	15.294.247	26.822.282	9.467.743	12.491.308	21.959.051
3.2.1.2	Forward Foreign Currency Transactions-Sell		954.614	25.197.555	26.152.169	2.690.216	18.312.463	21.002.679
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rate		47.840.446	105.357.625	153.198.071	25.818.888	82.090.808	107.909.696
3.2.2.1	Foreign Currency Swap-Buy		612.186	46.482.847	47.095.033	4.919.667	30.163.555	35.083.222
3.2.2.2	Foreign Currency Swap-Sell		14.166.638	37.357.402	51.524.040	8.431.123	30.783.793	39.214.916
3.2.2.3	Interest Rate Swap-Buy		16.530.811	10.758.688	27.289.499	6.234.049	10.571.730	16.805.779
3.2.2.4	Interest Rate Swap-Sell		16.530.811	10.758.688	27.289.499	6.234.049	10.571.730	16.805.779
3.2.3	Foreign Currency, Interest Rate, and Securities Options		6.449.082	17.652.476	24.101.558	4.872.208	13.843.376	18.715.584
3.2.3.1	Foreign Currency Options-Buy		3.224.541	8.826.238	12.050.779	2.436.104	6.921.688	9.357.792
3.2.3.2	Foreign Currency Options-Sell		3.224.541	8.826.238	12.050.779	2.436.104	6.921.688	9.357.792
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	4.746.945	4.746.945	-	5.299.987	5.299.987
B.	**CUSTODY AND PLEDGES SECURITIES (IV+V+VI)**		**1.016.198.243**	**166.516.983**	**1.182.715.226**	**975.853.363**	**116.831.184**	**1.092.684.547**
IV.	**ITEMS HELD IN CUSTODY**		**945.119.129**	**76.181.252**	**1.021.300.381**	**905.247.362**	**52.627.560**	**957.874.922**
4.1	Customers' Securities Held		65.109.023	18.778.504	83.887.527	54.056.682	11.725.300	65.781.982
4.2	Investment Securities Held in Custody		879.486.144	16.203.477	895.689.621	850.721.324	13.848.360	864.569.684
4.3	Checks Received for Collection		197.859	54.365	252.224	118.460	59.139	177.599
4.4	Commercial Notes Received for Collection		171.392	281.108	452.500	153.981	75.842	229.823
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		154.711	40.863.798	41.018.509	196.915	26.918.919	27.115.834
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**67.607.238**	**36.848.712**	**104.455.950**	**66.808.540**	**24.817.874**	**91.626.414**
5.1	Marketable Securities		309.125	4.739.310	5.048.435	344.183	3.169.010	3.513.193
5.2	Guarantee Notes		228.780	1.370.853	1.599.633	99.505	935.700	1.035.205
5.3	Commodity		421.710	3.466.825	3.888.535	473.082	151.585	624.667
5.4	Warranty		-	-	-	-	-	-
5.5	Real Estate		4.394.810	21.743.725	26.138.535	4.103.770	15.687.726	19.791.496
5.6	Other Pledged Items		62.252.813	5.527.999	67.780.812	61.788.000	4.873.853	66.661.853
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	**ACCEPTED BILL OF EXCHANGE AND COLLATERALS**		**3.471.876**	**53.487.019**	**56.958.895**	**3.797.461**	**39.385.750**	**43.183.211**
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		**1.093.884.536**	**368.200.149**	**1.462.084.685**	**1.027.781.710**	**265.276.567**	**1.293.058.277**

The explanations and notes on pages 14 to 84 form an integral part of these consolidated financial statements.

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

HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2023 AND 30 SEPTEMBER 2022

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

III.	CONSOLIDATED STATEMENT OF PROFIT OR LOSS		Reviewed			
	INCOME AND EXPENSE ITEMS	**Note (Section Five IV)**	**Current Period (01.01.2023 – 30.09.2023)**	**Current Period (01.07.2023 – 30.09.2023)**	**Prior Period (01.01.2022 – 30.09.2022)**	**Prior Period (01.07.2022 – 30.09.2022)**
I.	**INTEREST INCOME**	**(IV-a)**	**9.999.476**	**4.796.099**	**4.892.466**	**2.076.293**
1.1	Interest Income on Loans	(IV-a-1)	4.998.072	2.099.060	3.588.211	1.480.850
1.2	Interest Received from Reserve Requirements		16.216	104	25.335	266
1.3	Interest Received from Banks	(IV-a-2)	1.751.214	1.062.935	161.631	89.260
1.4	Interest Received from Money Market Transactions		2.202.722	1.150.194	449.167	275.621
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	987.624	466.223	646.507	222.256
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		78.794	52.505	71.519	24.566
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		602.425	309.207	545.736	168.438
1.5.3	Financial Assets at Measured at Amortized Cost		306.405	104.511	29.252	29.252
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		43.628	17.583	21.615	8.040
II.	**INTEREST EXPENSE (-)**	**(IV-b)**	**9.213.603**	**4.223.637**	**2.591.953**	**1.047.777**
2.1	Interest Expense on Deposits	(IV-b-4)	8.746.585	4.002.542	2.239.950	936.846
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	407.307	198.590	121.244	43.263
2.3	Interest Expense on Money Market Transactions		3.188	-	62.430	18.332
2.4	Interest on Securities Issued	(IV-b-3)	-	-	70.580	25.276
2.5	Interest Expense on Lease		19.686	6.998	12.931	4.854
2.6	Other Interest Expenses		36.837	15.507	84.818	19.206
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**785.873**	**572.462**	**2.300.513**	**1.028.516**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSE**		**900.521**	**463.230**	**632.745**	**240.118**
4.1	Fees and Commissions Received		1.193.944	514.685	715.358	271.085
4.1.1	Non-Cash Loans		408.257	167.543	217.361	81.463
4.1.2	Other	(IV-l)	785.687	347.142	497.997	189.622
4.2	Fees and Commissions Paid (-)		293.423	51.455	82.613	30.967
4.2.1	Non-Cash Loans		931	296	601	199
4.2.2	Other		292.492	51.159	82.012	30.768
V	**DIVIDEND INCOME**	**(IV-c)**	-	-	**4.459**	-
VI.	**TRADING GAIN/(LOSS) (Net)**	**(IV-d)**	**5.467.161**	**961.799**	**1.918.162**	**796.231**
6.1	Trading Gains/(Losses) on Securities		123.199	58.336	216.976	143.532
6.2	Derivative Financial Transactions Gains/(Losses)		1.846.543	546.585	418.502	58.616
6.3	Foreign Exchange Gains/(Losses)		3.497.419	356.878	1.282.684	594.083
VII.	**OTHER OPERATING INCOME**	**(IV-e)**	**251.008**	**53.678**	**199.797**	**68.982**
VIII.	**TOTAL OPERATING INCOME (III+IV+V+VI+VII)**		**7.404.563**	**2.051.169**	**5.055.676**	**2.133.847**
IX.	**PROVISION FOR LOAN LOSSES (-)**	**(IV-f)**	**323.008**	**16.681**	**211.295**	**63.411**
X.	**OTHER PROVISION EXPENSES (-)**		**42.838**	**17.648**	**23.653**	**6.601**
XI.	**PERSONNEL EXPENSES (-)**		**1.454.318**	**542.993**	**818.963**	**306.346**
XII.	**OTHER OPERATING EXPENSES (-)**	**(IV-g)**	**1.322.117**	**517.533**	**878.779**	**243.909**
XIII.	**NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)**		**4.262.282**	**956.314**	**3.122.986**	**1.513.580**
XIV.	**EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER**		-	-	-	-
XV.	**INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		-	-	-	-
XVI.	**INCOME/ (LOSS) ON NET MONETARY POSITION**		-	-	-	-
XVII.	**INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)**		**4.262.282**	**956.314**	**3.122.986**	**1.513.580**
XVIII.	**PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)**		**(726.724)**	**(173.774)**	**(697.736)**	**(381.324)**
18.1	Current Tax Provision	**(IV-i)**	(1.142.838)	(530.507)	(400.921)	(139.350)
18.2	Deferred Tax Income Effect (+)		-	-	(296.815)	(241.974)
18.3	Deferred Tax Expense Effect (-)		416.114	356.733	-	-
XIX.	**NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)**		**3.535.558**	**782.540**	**2.425.250**	**1.132.256**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**	**(IV-j)**	-	-	-	-
20.1	Income from Non-Current Assets Held for Resale		-	-	-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
20.3	Other Income From Discontinued Operations		-	-	-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-	-	-
21.1	Expenses for Non-Current Assets Held for Resale		-	-	-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-
21.3	Other Expenses From Discontinued Operations		-	-	-	-
XXII.	**PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)**		-	-	-	-
XXIII.	**PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)**		-	-	-	-
23.1	Current Tax Provision		-	-	-	-
23.2	Deferred Tax Income Effect (+)		-	-	-	-
23.3	Deferred Tax Expense Effect (-)		-	-	-	-
XXIV.	**CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)**		-	-	-	-
XXV.	**NET PROFIT/LOSSES (XIX+XXIV)**		**3.535.558**	**782.540**	**2.425.250**	**1.132.256**
	Earnings/Loss per Share	**(IV-k)**	0,054202	0,011997	0,037181	0,017358

The explanations and notes on pages 14 to 84 form an integral part of these consolidated financial statements.

HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 30 SEPTEMBER 2023 AND 30 SEPTEMBER 2022

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

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Reviewed Current Period (30.09.2023)	Reviewed Prior Period (30.09.2022)
I.	**INCOME/LOSS FOR THE PERIOD**	**3.535.558**	**2.425.250**
II.	**OTHER COMPREHENSIVE INCOME**	**83.244**	**105.777**
2.1	**Not Reclassified Through Profit or Loss**	**(18.027)**	**(35.949)**
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	(38.823)	(49.065)
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	20.796	13.116
2.2	**Reclassified Through Profit or Loss**	**101.271**	**141.726**
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	154.281	179.469
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	(53.010)	(37.743)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**3.618.802**	**2.531.027**

The explanations and notes on pages 14 to 84 form an integral part of these consolidated financial statements.

HSBC BANK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED SEPTEMBER 2022
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Reviewed Prior Period 30 September 2022	**Note Section Five**	**Paid-in Capital**	**Share Premium**	**Share Cancel Profits**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Profit/ (Loss)**	**Net Profit/ (Loss)**	**Total Equity Except from Minority Interest**	**Minority Interest**	**Total Equity**
I.	**Balances at the Beginning of the Period – 31 December 2021**		**652.290**	**-**	**-**	**310.888**	**-**	**(13.911)**	**-**	**-**	**(110.708)**	**-**	**2.630.000**	**-**	**950.895**	**4.419.454**	**-**	**4.419.454**
II.	**Corrections According to TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Beginning Balance (I+II)**		**652.290**	**-**	**-**	**310.888**	**-**	**(13.911)**	**-**	**-**	**(110.708)**	**-**	**2.630.000**	**-**	**950.895**	**4.419.454**	**-**	**4.419.454**
IV.	**Total Comprehensive Income**	**(V-a)**	**-**	**-**	**-**	**-**	**-**	**(35.949)**	**-**	**-**	**141.726**	**-**	**-**	**-**	**2.425.250**	**2.531.027**	**-**	**2.531.027**
V.	**Capital Increase by Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase by Internal Sources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Paid-in capital inflation adjustment difference**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds to Shares**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instruments**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/Decrease by Other Changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI.	**Profit Distribution**		**-**	**-**	**-**	**12.685**	**-**	**-**	**-**	**-**	**-**	**-**	**938.210**	**-**	**(950.895)**	**-**	**-**	**-**
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	950.895	-	(950.895)	-	-	-
11.3	Other		-	-	-	12.685	-	-	-	-	-	-	(12.685)	-		-	-	-
	Period End Balance (III+IV+…...+X+XI)		**652.290**	**-**	**-**	**323.573**	**-**	**(49.860)**	**-**	**-**	**31.018**	**-**	**3.568.210**	**-**	**2.425.250**	**6.950.481**	**-**	**6.950.481**

1. Increase/Decrease of accumulated revaluation reserve on tangible,
2. Accumulated Gains/Losses on remeasurement of defined benefit plans,
3. Other (other comprehensive ıncome 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 ıncome ıtems that will not be reclassified at profit or loss,
4. Exchange Differences on translation reserve,
5. Accumulated revaluation and/or classification gains / (losses) of financial assets at fair value through other comprehensive ıncome,
6. Other (cash flow hedge gains/losses, other comprehensive ıncome of associates and joint ventures accounted with equity method that will be reclassified at profit or loss and other accumulated amounts of other comprehensive ıncome ıtems that will be reclassified at profit or loss).

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
	Reviewed Current Period 30 September 2023	**Note Section Five**	**Paid-in Capital**	**Share Premium**	**Share Cancel Profits**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Profit/ (Loss)**	**Net Profit/ (Loss)**	**Total Equity Except from Minority Interest**	**Minority Interest**	**Total Equity**
I.	**Balances at the Beginning of the Period – 31 December 2022**		**652.290**	**-**	**-**	**323.573**	**-**	**(142.741)**	**-**	**-**	**100.572**	**-**	**3.568.210**	**-**	**3.066.865**	**7.568.769**	**-**	**7.568.769**
II.	**Corrections According to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Beginning Balance (I+II)**		**652.290**	**-**	**-**	**323.573**	**-**	**(142.741)**	**-**	**-**	**100.572**	**-**	**3.568.210**	**-**	**3.066.865**	**7.568.769**	**-**	**7.568.769**
IV.	**Total Comprehensive Income**	**(V-a)**	-	-	-	-	-	**(18.027)**	-	-	**101.271**	-	-	-	**3.535.558**	**3.618.802**	-	**3.618.802**
V.	**Capital Increase by Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase by Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Paid-in capital inflation adjustment difference**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds to Shares**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Debt Instruments**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increase/Decrease by Other Changes**		-	-	-	**1.147.850**	-	-	-	-	-	-	**(1.147.850)**	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	**3.066.865**	-	**(3.066.865)**	-	-	-
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	3.066.865	-	(3.066.865)	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (III+IV+…...+X+XI)		**652.290**	**-**	**-**	**1.471.423**	**-**	**(160.768)**	**-**	**-**	**201.843**	**-**	**5.487.225**	**-**	**3.535.558**	**11.187.571**	**-**	**11.187.571**

1. Increase/Decrease of accumulated revaluation reserve on tangible,
2. Accumulated Gains/Losses on remeasurement of defined benefit plans,
3. Other (other comprehensive income of associates and joint ventures accounted with equity method that will not be reclassified at profit and loss and other accumulated amounts of other comprehensive income items that will not be reclassified at profit or loss,
4. Exchange Differences on translation reserve,
5. Accumulated revaluation and/or classification gains / (losses) of financial assets at fair value through other comprehensive income,
6. Other (cash flow hedge gains/losses, other comprehensive income of associates and joint ventures accounted with equity method that will be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will be reclassified at profit or loss).

The explanations and notes on pages 14 to 84 form an integral part of these consolidated financial statements.

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Note (Section Five V)	Reviewed Current Period (30.09.2023)	Reviewed Prior Period (30.09.2022)
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**	**(VI-a)**	**4.831.397**	**1.425.846**
1.1.1	Interest Received	(VI-a)	9.310.940	4.550.362
1.1.2	Interest Paid	(VI-a)	(7.643.364)	(2.160.825)
1.1.3	Dividend Received		-	4.459
1.1.4	Fees and Commissions Received		1.170.581	680.412
1.1.5	Other Income		142.342	152.281
1.1.6	Collections From Previously Written-Off Loans and Other Receivables		33.495	76.569
1.1.7	Cash Payments to Personnel and Service Suppliers	(VI-a)	(1.603.711)	(790.309)
1.1.8	Taxes Paid		(409.182)	(248.489)
1.1.9	Other		3.830.296	(838.614)
1.2	**Changes in Operating Assets and Liabilities Subject to Banking Operations**		**33.941.381**	**2.708.626**
1.2.1	Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(285.828)	(627.698)
1.2.2	Net (Increase)/Decrease in Due From Banks		(854.180)	(459.001)
1.2.3	Net (Increase)/Decrease in Loans		(7.867.216)	(8.687.481)
1.2.4	Net (Increase)/Decrease in Other Assets		323.752	(774.556)
1.2.5	Net (Increase)/Decrease in Bank Deposits		1.398.185	31.306
1.2.6	Net Increase/(Decrease) in Other Deposits		40.199.795	13.988.966
1.2.7	Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8	Net Increase (Decrease) in Funds Borrowed		535.665	(935.956)
1.2.9	Net Increase/(Decrease) in Matured Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		491.208	173.046
I.	**Net Cash Provided From Banking Operations**		**38.772.778**	**4.134.472**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided From Investing Activities**		**(3.287.959)**	**(1.282.033)**
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		(61.916)	(35.374)
2.4	Cash Obtained from the Sale of Tangible and Intangible Asset		4.200	3.004
2.5	Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(2.917.601)	(1.774.349)
2.6	Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		858.058	2.300.727
2.7	Cash Paid for Purchase of Financial Assets at Amortized Cost		(1.014.268)	(1.669.725)
2.8	Cash Obtained From Sale of Financial Assets at Amortized Cost		-	-
2.9	Other		(156.432)	(106.316)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided From Financing Activities**		**5.586.337**	**(409.212)**
3.1	Cash Obtained From Funds Borrowed and Securities Issued		5.630.814	992.570
3.2	Cash Outflow From Funds Borrowed and Securities Issued		-	(1.361.870)
3.3	Equity Instruments Issued		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Lease Liabilities		(44.477)	(39.912)
3.6	Other		-	-
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**	**(VI-a)**	**24.228**	**15.657**
V.	**Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)**		**41.095.384**	**2.458.884**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**(VI-d)**	**29.071.145**	**29.924.173**
VII.	**Cash and Cash Equivalents at End of the Period**	**(VI-d)**	**70.166.529**	**32.383.057**

The explanations and notes on pages 14 to 84 form an integral part of these consolidated financial statements.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The Group prepared the accompanying consolidated financial statements within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 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 consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué dated 1 February 2019 which include Turkish Accounting Standard principles.

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

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

b. Accounting policies and valuation principles applied in the presentation of consolidated 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 2022.

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

The Parent Bank made certain estimations in the calculation of expected credit losses in the consolidated financial statements prepared as of 30 September 2023 and disclosed them in footnote VIII, "Explanations on Expected Credit Losses". The Parent Bank reviews its assumptions quarterly and makes updates if deemed necessary.

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 2023.

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

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

Changes in accounting policies and disclosures

New and revised TAS/TFRS effective for annual periods beginning on or after 1 January 2022 have no material effect on the financial statements, financial performance and on the Group's accounting policies. New and revised TAS and TFRS issued but not yet effective as of the finalization date of the financial statements have no material effect on the financial statements, financial performance and on the Group's accounting policies.

Within the scope of the Major Benchmark Interest Rates Reform, in 2021, alternative interest rates to be accepted have started to be used instead of the current benchmark interest rates, especially LIBOR. In the financial statements of the Group, 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 2023, the changes brought by the reform did not have a significant impact on the Group's financial statements.

Explanation for convenience translation into English:

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 2023. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Bank in accordance with IFRS.

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

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

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 Group's exchange rate and the resulting exchange differences are reflected in the income statement as foreign exchange profit or loss.

III. EXPLANATIONS ON CONSOLIDATED INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Group has no investments in associates as of 30 September 2023. The accompanying consolidated financial statements are prepared in accordance with TFRS 10 "Consolidated Financial Statements" and "Communiqué on Preparation of Consolidated Financial Statements of Banks" published by BRSA on the Official Gazette numbered 26340 and dated 8 November 2006. Non-financial subsidiary of the Parent Bank, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş was liquidated on 28 March 2022.

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

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

(*) HSBC Yatırım Menkul Değerler A.Ş. ("HSBC Yatırım") and HSBC Portföy Yönetimi A.Ş. ("HSBC Portföy"), a subsidiary of HSBC Yatırım, is included in the scope of consolidation.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

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.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES (Continued)

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

All fees and commission income are recognised on an accrual basis in accordance with the matching principle or "Effective Rate Method (Internal Rate of Return Method)" and according to the TFRS 15 "Revenue from Contracts with Customers", except for certain commission income for various banking services, which are recorded as income at the time of collection. 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 Group categorizes its financial assets as fair value through profit/loss, fair value through other comprehensive income or measured at amortized cost. Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

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

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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 Parent 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 Parent 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

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

Financial assets at fair value through profit or loss, financial assets managed with a business model other than a business model aimed at holding contractual cash flows to collect and selling contractual cash flows, and contractual terms related to financial assets, does not result in cash flows that 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.

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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

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

"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 Parent 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.

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".

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

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES

The Group 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 22 June 2016 and numbered 29750 and entered into force as of 1 January, 2018, the Group allocates provisions for impairment in accordance with the provisions of TFRS 9 as of 1 January 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 a 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.

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.

With the transition to TFRS 9, 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. As of the 4th quarter of 2022, four different macroeconomic scenarios (base scenario, pessimistic scenario, alternative pessimistic scenario, optimistic scenario) including the global recession have been used in the calculation of expected credit loss provisions.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Possible difficulties that may arise in customers' cash flows and payments due to the earthquake disaster in February are reflected in the financial statements by taking into account the expected loss provision calculation.

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 (DCFM) 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 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.

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. With the transition to TFRS 9, a simplified approach began to be used as the LGD model for corporate and commercial loans, which included macroeconomic expectation input and loan maturities. Therefore, an LGD model that involves country-specific economic expectations and historical loss data has been developed and following the independent validation as of July 2023, LGD model parameters emerging from country-specific expectations have commenced to be utilized.

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

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 expected loss calculation are as follows for the corporate/commercial and retail portfolio:

Corporate/commercial portfolio:

- Annual percentage change in Gross Domestic Product (GDP)
- Annual change in export amount
- Housing price index
- Short term external debt

Retail portfolio:
- Annual percentage change in Gross Domestic Product (GDP)
- Unemployment rate

Additionally, the macroeconomic variable used by the Loss Given Default model in the Corporate/Commercial portfolio is a transformation of Gross National Product.

As of 30 September 2023, the Parent 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, changes affecting macroeconomic factors reflected the data obtained with the maximum effort principle to the estimates and judgments used in the calculation of expected credit losses, with the best estimation method. Within the light of these data, the Parent 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 2023. 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 the Parent Bank has recognizes provisions by adding increasing and decreasing management additions in addition to the provisions recognized in the corporate/commercial portfolio. This approach, which has been implemented since the third quarter of 2020, continues in 2023, and the status of the portfolio will be reviewed at regular intervals in the following reporting periods, taking into account macro-economic realizations and future expectations.

Calculating the Expected Loss Period

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

VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Significant Increase in Credit Risk

The Parent 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 Parent 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.

After the earthquake on 6 February 2023, in accordance with the local regulations and the recommendations of the Banks Association, the debts of customers residing or working in the provinces affected by the earthquake and declared as disaster areas were postponed collectively for up to 6 months. The offsets applied according to the degree of impact of the provinces from the earthquake were made on the basis of two different periods, 3 months or 6 months. Moreover; Customers who stated that they were indirectly affected by the earthquake despite not residing / working in the earthquake zone and whose demands were found suitable as a result of the necessary evaluations can benefit from the debt rollover application. The increase in the credit risk has been evaluated by taking into account the information such as the degree of impact of the earthquake in the province where the customers reside/work, the customer's current delay at the time of debt rollover and past payment performance, and accordingly, additional provisions have been set aside for the debts that are expected to increase in the expected credit loss risk. As the postponement periods are completed, it has been decided to end the additional provision process and to continue with the normal provision process according to the current delay situation of the customer

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.

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

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

c) Derecognition of financial liabilities

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

d) Reclassification of financial instruments

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

e) Restructuring and refinancing of financial instruments

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

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

IX. DERECOGNITION OF FINANCIAL INSTRUMENTS (Continued)

e) Restructuring and refinancing of financial instruments (Continued)

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

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

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

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

X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES

None.

XI. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

Securities subject to repurchase agreements ("Repo") are classified as "Financial Assets at Fair Value 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 Group 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 rate of return) method". Funds given against securities purchased under agreements to resell ("Reverse repo") are accounted under "Receivables from money market" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the "Effective interest rate method". The Parent Bank has no securities lending transactions.

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

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

As of 30 September 2023 and 31 December 2022, the Group has no discontinued operations.

XIV. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

The Group's intangible assets are composed of software, goodwill and establishment expenditures. Intangible assets are measured in accordance with "Intangible Assets Standard" ("TAS 38") at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical cost after the deduction of accumulated depreciation and the provision for value decreases. The depreciable amount of an intangible asset is allocated on a systematic basis over its useful life. The costs of the intangible assets purchased before 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 2023, there is no net book value of goodwill (31 December 2022: None).

XV. EXPLANATIONS ON PROPERTY AND EQUIPMENT

All property and equipment are measured in accordance with "Property, Plant and Equipment Standard" ("TAS 16") at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value impairment. The costs of the property and equipment purchased before 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 Group recognized assets held under finance leases on the basis of the lower of its fair value and the present value of the lease payments. Fixed assets acquired under finance lease contracts are classified in tangible assets and amortized over their estimated useful lives. Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "Provision for value decrease" is recognized. Liabilities arising from the leasing transactions are included in "Financial lease payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are presented the income statement. The Group does not provide finance lease services as a "Lessor".

XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

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

Explanations on TFRS 16 Leasing Transactions:

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

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

Right-of-use assets

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

The right use includes the presence of:

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

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

Lease Liabilities

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

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

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

XVI. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

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

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

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

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 Group 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 Group's implementation of TFRS 16, rights of use assets classified under tangible assets as of 30 September 2023 amounted to TL 121.869 (31 December 2022: TL 89.755), lease liability amounted to TL 132.286 (31 December 2022: TL 92.776), depreciation expense amounted to TL 40.785 (30 September 2022: TL 29.442) and interest expense amounted to TL 19.686 (30 September 2022: TL 12.931).
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XVII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

XVIII. EXPLANATIONS ON CONTINGENT ASSETS

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

XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with "Employee Rights Standard" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet. Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Group allocates provision for retirement and termination liabilities by estimating the net present value of future payments 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 1,57% (31 December 2022: 3,17%).

As of 30 September 2023, actuarial loss amounted to TL 160.768 (31 December 2022: TL 142.741 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.

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. With the Law No. 7456, which was published in the Official Gazette dated 15 July 2023 and numbered 32249, the said rate was determined as 30% for the same companies. It is stipulated that the aforementioned regulation will be applied, starting from the declarations that must be submitted as of 1 October 2023, and to be valid for the corporate earnings for the taxation period starting from 1 January 2023. According to this; As of the September 2023 accounting period, the current tax provision in financials has been calculated over 30% tax rate. The corporate tax rate is applied to the tax base to be found as a result of 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.

XX. EXPLANATIONS ON TAXATION (Continued)

With the Law No. 7338, the title of repetitive article 298 of the Tax Procedure Law was changed to "inflation adjustment, revaluation rate and revaluation", and the revaluation institution was made permanent as of 1 January 2022, by adding paragraph (Ç) to the article. With the regulation, income or corporate taxpayers, who are subject to full liability and keep books on the balance sheet basis, will be able to revalue the depreciable economic assets included in their balance sheets and the depreciation amounts allocated for them at the end of the periods when the conditions for making inflation adjustments are not met.

Moreover, taxpayers - who prefer to re-evaluate within the scope of paragraph (Ç) of the 298th article with the temporary article 32 added to the Tax Procedure Law - will be able to revalue the immovables and other depreciable economic assets recorded in their balance sheets at the end of the accounting period prior to the accounting period for which they will be revalued for the first time. Taxpayers who opt for revaluation will monitor the increase in the value of the economic assets included in the scope of the revaluation in a special fund account in the liabilities of the balance sheet.

As of 31 December 2022, the Group has revalued its depreciable economic assets in its balance sheet within the scope of the repetitive article 298 of the Tax Procedure Law and the provisional article 32, and continues to calculate the depreciation over the valuated amounts within the scope of the Tax Procedure Law.

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

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

b) Deferred Tax Assets / Liabilities:

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

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%. The new rate, which was determined as 30% by Law No. 7456, which was published in the Official Gazette dated 15 July 2023 and numbered 32249, will be applied starting from the declarations that must be submitted as of 1 October 2023. Therefore, as of 30 September 2023, the Group has calculated a 30% deferred tax on all its assets and liabilities.

Deferred tax assets and liabilities are netted off and reflected in the financial statements. Net deferred tax asset resulting from offsetting is shown as deferred tax asset and net deferred tax liability is shown as deferred tax liability in the balance sheet. As of 30 September 2023, the Group has recognized deferred tax receivables amounting to TL 855.612 as assets (31 December 2022: The Group has recognized deferred tax receivables amounting to TL 423.306 as assets).

XX. EXPLANATIONS ON TAXATION (Continued)

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

a) 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. Group has filled out the related form and presented it to the tax office.

XXI. EXPLANATIONS ON BORROWINGS

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the consolidated financial statements enclosed, foreign currency borrowings are translated according to the Parent Bank's period end exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognized in the financial statements. Also the Group provides resources through the bond issue. As of 30 September 2023 and 31 December 2022, the Group has no convertible bonds.

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 30 September 2023 and 31 December 2022, the Group has no issued share certificates.

XXIII. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

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XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 30 September 2023 and 31 December 2022, the Group has no government incentives.

XXV. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

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

XXVI. PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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

XXVII. EARNINGS/LOSS PER SHARE

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

	Current Period 30 September 2023	Prior Period 30 September 2022
Net Earnings/(Loss) for the Period	3.535.558	2.425.250
Number of Shares	65.229.000.000	65.229.000.000
Earnings/(Loss) per Share (*)	**0,054202**	**0,037181**

(*) Amounts are expressed in full TL.

XXVIII. CASH AND CASH EQUIVALENTS

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

XXIX. RELATED PARTIES

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

XXX. RECLASSIFICATIONS

None.

XXXI. OTHER MATTERS

None.

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

SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

Equity and Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" and "Communiqué on Equities of Banks". As of 30 September 2023, equity of the Group and the Parent Bank is amounting to TL 15.205.235 and TL 14.941.823 respectively, and capital adequacy ratio is 21,84 % and 21,63% respectively. As of 31 December 2022 equity of the Group and the Parent Bank is amounting to TL 10.421.747 and TL 10.270.751 respectively and the capital adequacy ratio was 21,53% and 21,38% respectively. Capital adequacy ratio of the Group is higher than the minimum rate required by the related regulation.

a) Information about consolidated shareholders' equity items:

	Current Period 30 September 2023	Prior Period 31 December 2022
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	652.290
Share Premium	-	-
Reserves	6.958.648	3.891.783
Other Comprehensive Income according to TAS	201.843	100.572
Profit	3.535.558	3.066.865
Current Period Profit	3.535.558	3.066.865
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	-
Minorities' Share	-	-
Common Equity Tier I Capital Before Deductions	**11.348.339**	**7.711.510**
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	160.768	142.741
Leasehold Improvements on Operational Leases	19.344	24.799
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	357.130	302.183
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 credit worthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amounts exceeding 15% of Tier 1 Capital according to second paragraph of the provisional article 2 in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued common share capital of the entity	-	-
Amounts related to mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be Defined by the BRSA	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	-
Total Deductions from Common Equity Tier I Capital	**537.242**	**469.723**
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	-	101.143
Total Common Equity Tier I Capital	**10.811.097**	**7.342.930**

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

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

	Current Period 30 September 2023	Prior Period 31 December 2022
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	**-**	**-**
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	**-**	**-**
Total Additional Tier I Capital	**-**	**-**
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**10.811.097**	**7.342.930**
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3.768.803	2.596.792
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties' share in the Additional Tier II capital	-	-
Third parties' share in the Additional Tier II capital (Covered by Temporary Article 3)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	630.943	495.002
Total Deductions from Tier II Capital	**4.399.746**	**3.091.794**
Deductions from Tier II Capital	**-**	**-**
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	506	277
Total Deductions from Tier II Capital	**506**	**277**
Total Tier II Capital	**4.399.240**	**3.091.517**
Total Equity (Total Tier I and Tier II Capital)	**15.210.337**	**10.434.447**
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	90
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	5.102	12.610
Other items to be Defined by the BRSA	-	-
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-

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

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

	Current Period 30 September 2023	Prior Period 31 December 2022
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	15.205.235	10.421.747
Total Risk Weighted Assets	69.609.676	48.408.425
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	15,53	15,17
Consolidated Tier I Capital Ratio (%)	15,53	15,17
Consolidated Capital Adequacy Ratio (%)	21,84	21,53
BUFFERS		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,51	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 (%)	7,02	6,65
Amounts Lower Than Excesses as per the Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	2.126.562	1.961.546
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	630.943	495.002
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018 - 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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 2022, 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.

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

b) Items included in consolidated capital calculation:

Information about instruments that will be included in total capital calculation: Details on Subordinated Liabilities:	
Issuer	HSBC HOLDINGS PLC
Identifier(s) (CUSIP, ISIN vb.)	Subordinated Loans
Governing law (s) of the instrument	BRSA
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Not Deducted
Eligible on unconsolidated and /or consolidated basis	Eligible
Instrument type	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	3.769
Nominal value of instrument	3.769
Accounting classification of the instrument	Liability –Subordinated Loan
Issuance date of instrument	28.04.2021
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	According to written approval of the BRSA, it can be fully repaid in the 5th year of the loan.
Subsequent call dates, if applicable	None
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	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	-
Convertible or non-convertible into equity shares	
If convertible, conversion trigger (s)	In case of the possibility of cancelling the Parent Bank's operational permit or transferring to the Fund; The principal amount and interest payment liabilities of the loan may be terminated in whole or in part in accordance with the decision of the Board in this direction or it may be converted into capital by complying with the required legislation.
If convertible, fully or partially	Fully convertible
If convertible, conversion rate	The conversion rate / value shall be calculated based on the market data in the case of the exercise of the right
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	
If bonds can be written-down, write-down trigger(s)	-
If bond can be written-down, full or partial	-
If bond can be written-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	After borrowing, before additional capital, same as other contribution capital
In compliance with article number 7 and 8 of "Regulation on Equity of Banks"	In compliance with the requirements of Article 7 and 8 of "Regulation on Equity of Banks"
Details of incompliances with article number 7 and 8 of "Regulation on Equity of Banks"	In compliance with the requirements of Article 7 and 8 of "Regulation on Equity of Banks"

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

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

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

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

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

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

III. EXPLANATIONS ON CONSOLIDATED COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION

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

IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK

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

Currency risk refers the probability of loss that banks may be exposed to due to changes in exchange rates. The Group manages the currency risk in accordance with the “Regulation on Calculation and Application of the Foreign Currency Net General Position / Equity Standard Ratio by Banks on Consolidated and Unconsolidated Basis” and the Board Decision taken in accordance with the mentioned regulation, dated 26 December 2022 and numbered 10458.

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

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

IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

b) Management policy for foreign currency risk:

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

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

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

Current Period – 30 September 2023	USD ($)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	27,4171	28,9908
Prior Balance Sheet Date		
29 September 2023	27,4171	28,9908
28 September 2023	27,4278	28,9446
27 September 2023	27,3073	28,7191
26 September 2023	27,2682	28,8688
25 September 2023	27,2084	28,7946

Prior Period – 31 December 2022	USD ($)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	18,7140	18,0782
Prior Balance Sheet Date		
29 December 2022	18,7187	18,0527
28 December 2022	18,7191	17,8093
27 December 2022	18,6814	17,7539
26 December 2022	18,6814	17,8294
23 December 2022	18,6814	17,9408

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

IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

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

As of September 2023, the Group's simple arithmetic average foreign exchange rate for USD is TL 27,0082 (December 2022: TL 18,6593) and exchange rate for Euro is TL 28,8566 (December 2022: TL 19,7496).

e) Information related to Group's currency risk:

Current Period – 30 September 2023	**Euro**	**USD**	**Other FC**	**Total**
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	4.349.200	6.414.911	2.486.538	13.250.649
Banks	-	27	10.334	10.361
Financial Assets at Fair Value through Profit or Loss (Net)	181.597	475.370	-	656.967
Interbank Money Market Placements	-	15.223.886	-	15.223.886
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans	17.229.659	8.631.041	-	25.860.700
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	4.097	94.909	5	99.011
Total Assets	**21.764.553**	**30.840.144**	**2.496.877**	**55.101.574**
Liabilities				
Bank Deposits	-	685.606	-	685.606
Foreign Currency Deposits	10.154.512	19.938.887	11.449.695	41.543.094
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	5.418.992	3.560.118	33.090	9.012.200
Marketable Securities Issued (Net)	-	-	-	-
Miscellaneous Payables	4.966	1.554.980	16.058	1.576.004
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	250.644	647.711	135.625	1.033.980
Total Liabilities	**15.829.114**	**26.387.302**	**11.634.468**	**53.850.884**
Net On Balance Sheet Position	**5.935.439**	**4.452.842**	**(9.137.591)**	**1.250.690**
Net Off-Balance Sheet Position	**(5.932.159)**	**(3.965.749)**	**9.108.248**	**(789.660)**
Financial Derivative Assets	23.142.442	39.791.773	10.840.875	73.775.090
Financial Derivative Liabilities	29.074.601	43.757.522	1.732.627	74.564.750
Non-cash Loans	7.162.541	12.329.131	3.176.124	22.667.796
Prior Period - 31 December 2022				
Total Assets	16.678.750	30.548.853	2.643.983	49.871.586
Total Liabilities	10.661.819	24.294.298	10.914.269	45.870.386
Net on-Balance Sheet Position	**6.016.931**	**6.254.555**	**(8.270.286)**	**4.001.200**
Net off-Balance Sheet Position	**(4.905.719)**	**(5.248.731)**	**8.278.611**	**(1.875.839)**
Financial Derivative Assets	16.951.651	28.684.745	10.021.810	55.658.206
Financial Derivative Liabilities	21.857.370	33.933.476	1.743.199	57.534.045
Non-cash Loans	4.188.405	6.745.299	1.262.492	12.196.196

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

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

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

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

Current Period – 30 September 2023	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Non – Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	9.469.713	-	-	-	-	8.305.376	17.775.089
Banks (*)	10.429.386	-	-	-	-	11.434	10.440.820
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	504.892	1.048.035	1.106.378	4.688.451	177.164	5.742	7.530.662
Interbank Money Market Placements (*)	51.718.265	-	-	-	-	-	51.718.265
Financial Assets at Fair Value Through Other Comprehensive Income	1.740.277	3.090.800	797.993	180.864	156.985	-	5.966.919
Loans	10.863.950	11.953.901	21.587.374	194.372	682.643	44.790	45.327.030
Financial Assets Measured at Amortized Cost (****)	-	-	-	1.086.159	2.404.284	-	3.490.443
Other Assets	1.947	-	70	19.992	-	2.151.963	2.173.972
Total Assets	**84.728.430**	**16.092.736**	**23.491.815**	**6.169.838**	**3.421.076**	**10.519.305**	**144.423.200**
Liabilities							
Bank Deposits	2.376.993	-	-	-	-	117.881	2.494.874
Other Deposits	40.490.262	29.785.501	4.196.269	35.439	-	36.833.505	111.340.976
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	1.519.945	1.519.945
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds Borrowed	6.188.837	2.149.592	-	-	-	668.491	9.006.920
Other Liabilities (**) (***)	515.484	661.039	1.687.483	5.837.547	3.047	11.355.885	20.060.485
Total Liabilities	**49.571.576**	**32.596.132**	**5.883.752**	**5.872.986**	**3.047**	**50.495.707**	**144.423.200**
Balance Sheet Long Position	35.156.854	-	17.608.063	296.852	3.418.029	-	56.479.798
Balance Sheet Short Position	-	(16.503.396)	-	-	-	(39.976.402)	(56.479.798)
Off-Balance Sheet Long Position	-	15.838	866.435	-	-	-	882.273
Off-Balance Sheet Short Position	(37.482)	-	-	(12.306)	-	-	(49.788)
Total Position	**35.119.372**	**(16.487.558)**	**18.474.498**	**284.546**	**3.418.029**	**(39.976.402)**	**832.485**

(*) 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 11.877.

(**) 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 9.167.

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period – 31 December 2022	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years And Over	Non – Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey(*)	8.870.488	-	-	-	-	3.328.930	12.199.418
Banks	73.813	-	-	-	-	121.372	195.185
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	258.163	1.023.943	774.563	2.949.303	125.885	5.742	5.137.599
Interbank Money Market Placements(*)	25.587.549	-	-	-	-	-	25.587.549
Financial Assets at Fair Value Through Other Comprehensive Income	1.753.893	1.628.198	145.257	-	165	-	3.527.513
Loans	9.292.994	12.664.336	13.214.799	2.130.972	43.690	61.728	37.408.519
Financial Assets Measured at Amortized Cost	-	-	-	1.090.925	1.331.201	-	2.422.126
Other Assets	1.157	-	119	18.255	-	1.716.809	1.736.340
Total Assets	**45.838.057**	**15.316.477**	**14.134.738**	**6.189.455**	**1.500.941**	**5.234.581**	**88.214.249**
Liabilities							
Bank Deposits	750.214	-	-	-	-	342.703	1.092.917
Other Deposits	27.810.429	12.462.894	1.583.871	19.734	-	28.302.519	70.179.447
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	1.476.567	1.476.567
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds Borrowed	2.636.840	-	-	-	-	132.949	2.769.789
Other Liabilities (**)(***)	230.317	739.942	676.582	3.250.213	10.808	7.787.667	12.695.529
Total Liabilities	**31.427.800**	**13.202.836**	**2.260.453**	**3.269.947**	**10.808**	**38.042.405**	**88.214.249**
Balance Sheet Long Position	14.410.257	2.113.641	11.874.285	2.919.508	1.490.133	-	32.807.824
Balance Sheet Short Position	-	-	-	-	-	(32.807.824)	(32.807.824)
Off-Balance Sheet Long Position	52.252	279.262	753.167	-	-	-	1.084.681
Off-Balance Sheet Short Position	-	-	-	(19.024)	-	-	(19.024)
Total Position	**14.462.509**	**2.392.903**	**12.627.452**	**2.900.484**	**1.490.133**	**(32.807.824)**	**1.065.657**

(*) 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 9.511.

(**) 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 9.699.

b) Effective average interest rates for monetary financial instruments:

Current Period– 30 September 2023	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	-	-	-	35,15
Financial Assets at Fair Value Through Profit or Loss (Net)	5,57	8,71	-	35,12
Interbank Money Market Placements	-	5,21	-	31,46
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	25,24
Loans	9,34	10,42	-	37,54
Financial Assets Measured at Amortized Cost	-	-	-	12,78
Liabilities				
Bank Deposits	-	5.54	-	41,51
Other Deposits	1,30	0,22	-	23,44
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	10,07	8,12	-	-

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

V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period - 31 December 2022	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	-	0,22	-	22,25
Financial Assets at Fair Value Through Profit or Loss (Net)	5,72	8,36	-	12,26
Interbank Money Market Placements	-	4,24	-	10,46
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	18,54
Loans	6,86	9,82	-	20,88
Financial Assets Measured at Amortized Cost	-	-	-	13,79
Liabilities				
Bank Deposits	-	4,48	-	6,40
Other Deposits	1,02	1,50	-	14,39
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	8,57	-	-	-

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

Position risk of equity securities in banking book:

As of 30 September 2023, the Parent Bank has no financial assets that would cause a significant effect on its equity securities position (31 December 2022: None).

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

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

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

The Balance Sheet Management, which is associated to the treasury function, and the management of liquidity manage the Parent Bank's short term liquidity and funding risks of the banking portfolio is conducted by Assets and Liabilities and Capital Management Unit (ALCM) operating under Finance department, within the framework of risk policies and risk appetite approved by Board of Directors. Board of Directors determines risk appetite and internal risk limits of liquidity. In terms of the approving risk appetite, inherent liquidity limits, and considering 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.

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

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

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

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

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

The Parent 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 Parent 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 Parent Bank's total liabilities:

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

Information on liquidity risk mitigation techniques:

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

Explanation of the usage of stress test:

Along with the legal liquidity risk calculations and restrictions, in terms of liquidity management, stress tests and scenario analyses are performed in accordance with the international liquidity management policies of HSBC. In these scenarios, liquidity crisis scenarios of the Parent Bank and macro liquidity crisis scenarios are evaluated and triggering factors of liquidity risk and 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.

VII. EXPLANATIONS ON CONSOLIDATED 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 Parent 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 Parent 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 Parent 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 Parent Bank's funding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for funding consist 79% of total liabilities.

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

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

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

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

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

Within the context of strategic funding plan, cash inflows and outflows are planned and effective management of concentration of fund resources in terms of maturity, currency and fund resource is projected. In the context, customer-based deposit concentrations, limits and usages set up for the counterparties in 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(*)	
Current Period – 30.09.2023	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			66.446.449	27.795.259
Cash Outflows				
Retail and customer deposits	78.980.275	31.564.921	7.718.258	3.156.492
Stable deposits	3.595.380	-	179.769	-
Less stable deposits	75.384.895	31.564.921	7.538.489	3.156.492
Unsecured funding other than retail and small business customers deposits	33.475.556	12.848.649	16.184.455	5.884.803
Operational deposits	-	-	-	-
Non-Operational deposits	30.972.764	12.712.357	13.681.663	5.748.511
Other unsecured funding	2.502.792	136.292	2.502.792	136.292
Secured funding	-	-	-	-
Other cash outflows	2.417.343	5.421.940	2.417.343	5.421.940
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.417.343	5.421.940	2.417.343	5.421.940
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	29.152.544	21.523.652	3.731.694	3.160.983
Other irrevocable or conditionally revocable commitments	-	-	-	-
TOTAL CASH OUTFLOWS			**30.051.750**	**17.624.218**
Cash Inflows				
Secured lending transactions	-	-	-	-
Unsecured lending transactions	19.184.794	5.100.510	16.367.181	3.489.102
Other cash inflows	847.883	6.872.811	847.883	6.872.811
TOTAL CASH INFLOWS	**20.032.677**	**11.973.321**	**17.215.064**	**10.361.913**
			Values to which the upper limit is applied	
TOTAL HQLA STOCK	-	-	**66.446.449**	**27.795.259**
TOTAL NET CASH OUTFLOWS	-	-	**12.836.686**	**7.262.305**
LIQUIDITY COVERAGE RATIO (%)	-	-	**517,63**	**382,73**

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

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

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

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

	Current Period – 30.09.2023	
	TL+FC	**FC**
Highest (%)	846,91	659,47
Date	7.08.2023	11.08.2023
Lowest (%)	293,30	230,21
Date	7.09.2023	21.09.2023
Average (%)	517,63	382,73

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
Prior Period – 31.12.2022	**TL+FC**	**FC**	**TL+FC**	**FC**
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			36.165.359	28.524.415
Cash Outflows				
Retail and customer deposits	48.202.143	32.753.690	4.676.963	3.275.369
Stable deposits	2.865.024	-	143.251	-
Less stable deposits	45.337.119	32.753.690	4.533.712	3.275.369
Unsecured funding other than retail and small business customers deposits	26.342.858	11.353.290	12.059.896	4.855.227
Operational deposits	-	-	-	-
Non-Operational deposits	25.275.202	11.221.118	10.992.240	4.723.055
Other unsecured funding	1.067.656	132.172	1.067.656	132.172
Secured funding	-	-	-	-
Other cash outflows	2.193.549	7.009.968	2.193.549	7.009.968
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	2.193.549	7.009.968	2.193.549	7.009.968
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	19.730.200	13.450.929	2.557.809	2.092.406
Other irrevocable or conditionally revocable commitments	-	-	-	-
TOTAL CASH OUTFLOWS			**21.488.217**	**17.232.970**
Cash Inflows				
Secured lending transactions	-	-	-	-
Unsecured lending transactions	11.210.506	4.692.925	8.537.596	3.271.957
Other cash inflows	233.311	5.265.862	233.311	5.265.862
TOTAL CASH INFLOWS	**11.443.817**	**9.958.787**	**8.770.907**	**8.537.819**
			Values to which the upper limit is applied	
TOTAL HQLA STOCK	-	-	**36.165.359**	**28.524.415**
TOTAL NET CASH OUTFLOWS	-	-	**12.717.310**	**8.695.151**
LIQUIDITY COVERAGE RATIO (%)	-	-	**284,38**	**328,05**

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

The lowest, highest and average liquidity coverage ratios calculated by taking the simple average for the last three months of 2023 are given in the table below.

	Prior Period – 30.09.2023	
	TL+FC	**FC**
Highest (%)	383,95	628,38
Date	19.12.2022	20.12.2022
Lowest (%)	219,84	241,98
Date	1.10.2022	1.10.2022
Average (%)	**284,38**	**328,05**

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

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

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

Current Period – 30 September 2023	**Demand**	**Up to 1 Month**	**1 - 3 Months**	**3 - 12 Months**	**1 - 5 Years**	**5 Years and Over**	**Unallocated**	**Total**
Assets								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT(****)	8.305.376	9.469.713	-	-	-	-	-	17.775.089
Banks (****)	11.434	10.429.386	-	-	-	-	-	10.440.820
Financial Assets at Fair Value through Profit or Loss (Net) (***)	-	316.834	521.862	861.487	5.569.111	255.626	5.742	7.530.662
Interbank Money Market Placements(****)	-	51.718.265	-	-	-	-	-	51.718.265
Financial Assets at Fair Value through Other Comprehensive Income	-	38.314	127.613	1.270.368	3.916.393	614.231	-	5.966.919
Loans	-	9.062.126	5.099.705	19.522.930	8.824.206	2.773.273	44.790	45.327.030
Financial Assets at Fair Value Through Amortized Cost(*****)	-	-	-	-	1.086.159	2.404.284	-	3.490.443
Other Assets (*)	-	1.947	-	70	19.992	-	2.151.963	2.173.972
Total Assets	**8.316.810**	**81.036.585**	**5.749.180**	**21.654.855**	**19.415.861**	**6.047.414**	**2.202.495**	**144.423.200**
Liabilities								
Bank Deposits	117.881	2.376.993	-	-	-	-	-	2.494.874
Other Deposits	36.833.505	40.490.262	29.785.501	4.196.269	35.439	-	-	111.340.976
Money Market Borrowings	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	1.519.945	1.519.945
Marketable Securities Issued (Net)	-	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	668.491	-	-	4.496.788	-	3.841.641	-	9.006.920
Other Liabilities (**) (***)	-	394.079	461.463	1.321.807	6.522.691	57.293	11.303.152	20.060.485 0
Total Liabilities	**37.619.877**	**43.261.334**	**30.261.389**	**10.014.864**	**6.558.130**	**3.898.934**	**12.823.097**	**144.423.200**
Net Liquidity Excess / (Gap)	**(29.303.067)**	**37.775.251**	**(24.512.209)**	**11.639.991**	**12.857.731**	**2.148.480**	**(10.620.602)**	**-**
Net Off Balance Sheet Position	**-**	**(95.420)**	**(211.983)**	**1.006.799**	**133.089**	**-**	**-**	**832.485**
Derivative Financial Assets	-	35.971.782	29.195.741	31.278.584	27.249.179	1.095.977	-	124.791.263
Derivative Financial Liabilities	-	36.067.202	29.407.724	30.271.785	27.116.090	1.095.977	-	123.958.778
Non-cash Loans	**21.863.238**	**5.819**	**1.695**	**2.485.133**	**7.021**	**-**	**-**	**24.362.906**
Prior Period – 31 December 2022								
Total Assets	3.450.302	44.453.508	7.328.935	13.093.441	13.995.712	4.108.072	1.784.279	88.214.249
Total Liabilities	28.778.171	28.728.860	12.691.243	2.318.359	3.771.362	2.697.972	9.228.282	88.214.249
Net Liquidity Excess / (Gap)	**(25.327.869)**	**15.724.648**	**(5.362.308)**	**10.775.082**	**10.224.350**	**1.410.100**	**(7.444.003)**	**-**
Net Off-Balance Sheet Position	**-**	**17.811**	**156.449**	**753.167**	**138.230**	**-**	**-**	**1.065.657**
Derivative Financial Assets	-	35.969.039	20.129.187	12.991.465	21.103.434	1.199.081	-	91.392.206
Derivative Financial Liabilities	-	35.951.228	19.972.738	12.238.298	20.965.204	1.199.081	-	90.326.549
Non-cash Loans	12.730.115	192.582	326.346	563.963	9.517	-	-	13.822.523

(*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, investments, subsidiaries, stationary, 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 11.877.

(*****) Financial Assets Valued at Amortized Cost include expected loss provisions balance amounting to TL 9.167.

c) Information on securitisation position:

None.

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

VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

The table regarding the leverage ratio calculated in accordance with the "Regulation on the Measurement and Evaluation of the Leverage Level of Banks" published in the Official Gazette dated 5 November 2013 and numbered 28812 is given below.

		Current Period 30.09.2023 (*)	Prior Period 31.12.2022 (*)
	Assets On the Balance Sheet		
1	Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	101.266.872	66.535.914
2	(Assets deducted from core capital)	(367.186)	(311.936)
3	Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	100.899.686	66.223.978
	Derivative Financial Instruments and Loan Derivatives	-	
4	Renewal cost of derivative financial instruments and loan derivatives	1.595.792	1.303.688
5	Potential credit risk amount of derivative financial instruments and loan derivatives	792.034	356.844
6	Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	2.387.826	1.660.532
	Financing Transactions Secured by Marketable Security or Commodity		
7	Risk amount of financing transactions secured by marketable security or commodity (excluding those in the balance sheet)	3.105.456	664.804
8	Risk amount arising from intermediated transactions		
9	Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	- 3.105.456	- 664.804
	Off-Balance Sheet Commitments		
10	Gross nominal amount of the off-the-balance sheet transactions	45.559.322	40.740.964
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)	45.559.322	40.740.964
	Capital and Total Risk		
13	Core capital	10.440.853	7.269.381
14	Total risk amount (sum of lines 3,6,9 and 12)	151.952.290	109.290.278
	Transition Process Unapplied Leverage Ratio		
15	Transition process unapplied leverage ratio (%)	6,87	6,65

(*) Table represents three-month average amounts.

Comparison table of total assets and total risk amounts in the financial statements prepared in accordance with TAS:

	Current Period 30.09.2023 (**)	Prior Period 31.12.2022 (**)
Total assets in the consolidated financial statements prepared in accordance with TAS (*)	143.620.683	92.142.348
Differences between the total assets in the consolidated financial statements prepared in accordance with TAS and the total assets in the consolidated financial statements prepared in accordance with Communique on Preparation of Consolidated Financial Statements of the Banks	2.417.140	1.730.243
Differences between the balances of derivative financial instruments and the credit derivatives in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	(792.034)	(356.844)
Differences between the balances of securities financing transactions in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	39.282.574	26.065.093
Differences between off- balance sheet items in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	-	-
Other differences in the consolidated financial statements prepared in accordance with the Communique on Preparation of Consolidated Financial Statements of the Banks and their risk exposures	-	-
Total Risk	**151.952.290**	**109.290.279**

(*) The consolidated financial statements prepared in accordance with the sixth paragraph of the Article 5 in the Communique on Preparation of Consolidated Financial Statements of the Banks.
(**) Three months average values in the related periods.

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

IX. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 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 Group, the following required tables have not been presented on 30 September 2023:

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

a) Explanations on risk management and risk-weighted amounts:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period 30 September 2023	**Prior Period 31 December 2022**	**Current Period 30 September 2023**
Credit risk (excluding counterparty credit risk)	48.015.861	37.537.681	3.841.269
Standardised approach	48.015.861	37.537.681	3.841.269
Internal rating-based approach	-	-	-
Counterparty credit risk	2.459.573	2.062.518	196.766
Standardised approach for counterparty credit risk	2.459.573	2.062.518	196.776
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	11.359.775	4.110.050	908.782
Standardised approach	11.359.775	4.110.050	908.782
Internal model approaches	-	-	-
Operational risk	7.774.467	4.698.176	621.957
Basic indicator approach	7.774.467	4.698.176	621.957
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	**69.609.676**	**48.408.425**	**5.568.774**

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

Not disclosured in the interim period.

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

Not disclosured in the interim period.

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

XII. EXPLANATIONS ON OPERATING SEGMENTS

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

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

	Retail Banking	Corporate Banking	Global Banking	Treasury and Capital Markets	Other	Group's Total Activities
Current Period – 30 September 2023						
Operating Income	812.465	1.791.449	981.981	3.825.971	(7.303)	7.404.563
Other	-	-	-	-	-	-
Operating Income	**812.465**	**1.791.449**	**981.981**	**3.825.971**	**(7.303)**	**7.404.563**
Segment Net Profit	-	-	-	-	-	-
Undistributed Cost	-	-	-	-	-	-
Operating Profit/(Loss)	(783.980)	1.081.708	732.756	3.280.891	(49.093)	4.262.282
Profit before Tax	**(783.980)**	**1.081.708**	**732.756**	**3.280.891**	**(49.093)**	**4.262.282**
Corporate Tax Provision (*)	-	-	-	-	(726.724)	(726.724)
Profit after Tax	**(783.980)**	**1.081.708**	**732.756**	**3.280.891**	**(775.817)**	**3.535.558**
Non-Controlling Interest	-	-	-	-	-	-
Net Profit for the Period	**(783.980)**	**1.081.708**	**732.756**	**3.280.891**	**(775.817)**	**3.535.558**
Segment Assets	3.767.001	30.422.977	11.763.269	98.469.953	-	144.423.200
Associates and Subsidiaries	-	-	-	-	-	-
Undistributed Assets	-	-	-	-	-	-
Total Assets	**3.767.001**	**30.422.977**	**11.763.269**	**98.469.953**	**-**	**144.423.200**
Segment Liabilities	80.292.025	10.203.443	19.880.627	19.586.953	3.272.581	133.235.629
Undistributed Liabilities	-	-	-	-	11.187.571	11.187.571
Total Liabilities	**80.292.025**	**10.203.443**	**19.880.627**	**19.586.953**	**14.460.152**	**144.423.200**
Other Segment Items	**-**	**-**	**-**	**(52.085)**	**(659.802)**	**(711.887)**
Capital Investment	-	-	-	-	218.348	218.348
Amortization	-	-	-	-	(195.254)	(195.254)
Impairment	-	-	-	(52.085)	-	(52.085)
Non-Cash Other Income-Expense	-	-	-	-	(682.896)	(682.896)

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

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

XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate Banking	Global Banking	Treasury and Capital Markets	Other	Group's Total Activities
Prior Period – 31 December 2022						
Operating Income	1.187.413	1.326.499	897.797	1.642.027	1.940	5.055.676
Other	-	-	-	-	-	-
Operating Income	**1.187.413**	**1.326.499**	**897.797**	**1.642.027**	**1.940**	**5.055.676**
Segment Net Profit	-	-	-	-	-	-
Undistributed Cost	-	-	-	-	-	-
Operating Profit/(Loss)	287.434	833.996	737.294	1.322.948	(58.686)	3.122.986
Profit before Tax	**287.434**	**833.996**	**737.294**	**1.322.948**	**(58.686)**	**3.122.986**
Corporate Tax Provision (*)	-	-	-	-	(697.736)	(697.736)
Profit after Tax	**287.434**	**833.996**	**737.294**	**1.322.948**	**(756.422)**	**2.425.250**
Non-Controlling Interest	-	-	-	-	-	-
Net Profit for the Period	**287.434**	**833.996**	**737.294**	**1.322.948**	**(756.422)**	**2.425.250**
Segment Assets	4.362.867	23.633.289	8.948.614	51.269.479	-	88.214.249
Associates and Subsidiaries	-	-	-	-	-	-
Undistributed Assets	-	-	-	-	-	-
Total Assets	**4.362.867**	**23.633.289**	**8.948.614**	**51.269.479**	**-**	**88.214.249**
Segment Liabilities	49.454.106	8.507.463	11.815.328	8.560.409	2.308.174	80.645.480
Undistributed Liabilities	-	-	-	-	7.568.769	7.568.769
Total Liabilities	**49.454.106**	**8.507.463**	**11.815.328**	**8.560.409**	**9.876.943**	**88.214.249**
Other Segment Items	-	-	-	**(23.681)**	**1.912.778**	**1.889.097**
Capital Investment	-	-	-	-	141,690	141,690
Amortization	-	-	-	-	(133.143)	(133.143)
Impairment	-	-	-	(23.681)	-	(23.681)
Non-Cash Other Income-Expense	-	-	-	-	1.904.231	1.904.231

(*) Corporate tax provision is not distributed.
(**) Non-Cash Other Income-Expense includes other income and expense accruals and provisions.
(***) Income-Expense items represent the amounts of 30 September 2022.

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

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

	Current Period 30 September 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Cash/Foreign Currency	101.711	3.222.144	85.620	2.165.797
The CBRT	4.424.546	10.033.791	1.058.930	8.896.093
Total	**4.526.257**	**13.255.935**	**1.144.550**	**11.061.890**

2. Information related to balances with the CBRT:

	Current Period 30 September 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposit	4.424.546	564.078	1.058.930	19.345
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Reserve Requirements	-	9.469.713	-	8.876.748
Total	**4.424.546**	**10.033.791**	**1.058.930**	**8.896.093**

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 2023, Turkish lira required reserve ratios for Turkish lira deposits and other liabilities range from 3% to 25% (31 December 2022: 3% to 8%) and for foreign exchange deposits and other liabilities range from 5% to 29% (31 December 2022: 5% to 27%) depending on maturity.

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

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

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

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Collateral/Blocked	-	-
Repurchase Agreement	-	-
Unrestricted	839.837	534.582
Total	**839.837**	**534.582**

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

	Current Period 30 September 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Forward Transactions	-	531.621	1.144	917.044
Swap Transactions	872.964	1.085.862	449.948	629.155
Futures Transactions	-	-	-	-
Options	-	4.194.636	-	2.599.984
Total	**872.964**	**5.812.119**	**451.092**	**4.146.183**

c) Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 September 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Banks				
Domestic	10.200.944	-	74.677	-
Foreign	230.000	10.417	-	120.516
Foreign Head Office and Branches	-	-	-	-
Total	**10.430.944**	**10.417**	**74.677**	**120.516**

2. Information on foreign bank accounts:

Not disclosured in the interim period.

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

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

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

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Collateral/Blocked	4.747.380	2.976.801
Repurchase Agreement	-	-
Unrestricted	1.219.539	550.712
Total	**5.966.919**	**3.527.513**

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Debt Securities	**5.990.061**	**3.527.613**
Quoted to Stock Exchange	5.990.061	3.527.613
Not Quoted	-	-
Share Certificate	-	-
Quoted to Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	**23.142**	**100**
Total	**5.966.919**	**3.527.513**

e) Information on loans:

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

	Current Period 30 September 2023		Prior Period 31 December 2022	
	Cash	**Non-Cash**	**Cash**	**Non-Cash**
Direct Loans Granted to Shareholders	**-**	**360.717**	**-**	**185.384**
Corporate Shareholders	-	360.717	-	185.384
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	**-**	**537.155**	**-**	**446.952**
Loans Granted to Employees	**47.383**	**-**	**43.128**	**-**
Total	**47.383**	**897.872**	**43.128**	**632.336**

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

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

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

		Loans under Close Monitoring		
			Restructured Loans	
Cash Loans	**Standard Loans**	**Loans not Subject to Restructuring**	**Loans with Revised Contract Terms**	**Refinancing**
Non-specialized Loans(*)	41.221.528	4.125.312	1.988.377	-
Working Capital Loans	19.713.562	1.863.757	1.981.766	-
Export Loans	12.645.766	-	-	-
Import Loans	2.331.461	719.650	-	-
Loans Given to Financial Sector	2.849.543	1.173.994	-	-
Retail Loans	902.583	84.713	354	-
Credit Cards	2.638.756	283.198	6.257	-
Other	139.857	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	**41.221.528**	**4.125.312**	**1.988.377**	**-**

(*) Includes the factoring receivables amounting to TL 310.215.

	Current Period 30 September 2023		Prior Period 31 December 2022	
	Standard Loans	**Loans Under Close Monitoring**	**Standard Loans**	**Loans Under Close Monitoring**
12 Months Expected Credit Loss	1.126.162	-	121.470	-
Significant Increase in Credit Risk	-	926.815	-	1.763.203
Total	**1.126.162**	**926.815**	**121.470**	**1.763.203**

3. Breakdown of loans according to their maturities:

Not disclosured in the interim period.

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

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

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	**307.142**	**567.245**	**874.387**
Mortgage Loans	-	56.695	56.695
Vehicle Loans	1.301	28.154	29.455
Consumer Loans	305.841	482.181	788.022
Other	-	215	215
Consumer Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	**2.851.645**	**5.714**	**2.857.359**
Instalment	1.065.592	5.714	1.071.306
Non Instalment	1.786.053	-	1.786.053
Individual Credit Cards-FC	**25.309**	-	**25.309**
Instalment	1.587	-	1.587
Non Instalment	23.722	-	23.722
Personnel Loans-TL	**9.131**	**16.409**	**25.540**
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	9.131	16.409	25.540
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	**21.669**	-	**21.669**
Instalment	10.884	-	10.884
Non Instalment	10.785	-	10.785
Personnel Credit Cards-FC	**174**	-	**174**
Instalment	-	-	-
Non Instalment	174	-	174
Overdraft Account-TL (Individual)	**87.723**	-	**87.723**
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	**3.302.793**	**589.368**	**3.892.161**

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

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

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

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	**-**	**3.383**	**3.383**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	3.383	3.383
Other	-	-	-
Commercial Instalment Loans- FC Indexed	**-**	**38.020**	**38.020**
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	38.020	38.020
Other	-	-	-
Commercial Instalment Loans-FC	**-**	**-**	**-**
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	**18.476**	**-**	**18.476**
Instalment	3.085	-	3.085
Non Instalment	15.391	-	15.391
Corporate Credit Cards-FC	**5.224**	**-**	**5.224**
Instalment	-	-	-
Non Instalment	5.224	-	5.224
Overdraft Account-TL (Commercial)	**-**	**-**	**-**
Overdraft Account-FC (Commercial)	**-**	**-**	**-**
Total	**23.700**	**41.403**	**65.103**

6. Loans according to types of borrowers:

Not disclosured in the interim period.

7. Distribution of domestic and foreign loans:

	Current Period 30 September 2023	Prior Period 31 December 2022
Domestic Loans	47.297.455	39.038.623
Foreign Loans	37.762	192.841
Total (*)	**47.335.217**	**39.231.464**

(*) As of 30 September 2023, it includes factoring receivables amounting to TL 310.215 (31 December 2022: TL 364.532).

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

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

8. Loans granted to investments in associates and subsidiaries

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

9. Specific provisions provided against loans:

	Current Period 30 September 2023	Prior Period 31 December 2022
Loans with Limited Collectability	4.487	4.518
Loans with Doubtful Collectability	6.490	10.518
Uncollectible Loans	80.485	90.787
Total	**91.462**	**105.823**

10 Information on non-performing loans (Net):

10 (i). Information on non-performing loans and restructured loans:

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period: 30 September 2023			
Gross Amounts Before Provisions	-	-	34.062
Rescheduled Loans	-	-	34.062
Prior Period: 31 December 2022			
Gross Amounts Before Provisions	-	-	47.948
Rescheduled Loans	-	-	47.948

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Balance at the end of Prior Period: 31 December 2022	**7.283**	**12.977**	**147.291**
Additions (+)	18.646	1.521	3.088
Transfers from Other Categories of Non-Performing Loans (+)	-	13.920	16.649
Transfers to Other Categories of Non-Performing Loans (-)	13.920	16.649	-
Collections (-)	4.791	3.818	24.886
Write-offs (-)(*)	-	-	21.059
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: 30 September 2023	**7.218**	**7.951**	**121.083**
Provisions (-)	4.487	6.490	80.485
Net Balance in Balance Sheet	**2.731**	**1.461**	**40.598**

(*) As of 30 September 2023, the Parent Bank's non-performing loan ratio decreased from 0,33% to 0,29% after the loans written off in the current period in accordance with the related Provisions Regulation.

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

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

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

As of 30 September 2023, there are no non-performing loans granted as foreign currency loans (31 December 2022: None).

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	**Loans with Doubtful Collectability**	**Uncollectible Loans**
Current Period (Net): 30 September 2023			
Loans granted to corporate entities and real persons (Gross)	**2.731**	**1.461**	**40.598**
Provisions Amount (-)	7.218	7.951	121.083
Loans granted to corporate entities and real persons (Net)	4.487	6.490	80.485
Banks (Gross)	2.731	1.461	40.598
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-
	-	-	-
Prior Period (Net): 31 December 2022			
Loans granted to corporate entities and real persons (Gross)	**2.765**	**2.459**	**56.504**
Provisions Amount (-)	7.283	12.977	147.291
Loans granted to corporate entities and real persons (Net)	4.518	10.518	90.787
Banks (Gross)	2.765	2.459	56.504
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	**Loans with Doubtful Collectability**	**Uncollectible Loans**
Current Period (Net)	**101**	**93**	**1.760**
Interest Accruals and Rediscount with Valuation Differences	**345**	**478**	**6.981**
Provision amount (-)	**244**	**385**	**5.221**
Prior Period (Net)	**110**	**157**	**3.477**
Interest Accruals and Rediscount with Valuation Differences	388	948	9.623
Provision amount (-)	278	791	6.146

11. 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, the Parent Bank's loans classified as "Fifth Group-Loans with Losses" may exclude the portion of which there is no reasonable expectation from the balance sheet. The Parent Bank makes an objective evaluation while determining whether there is a reasonable expectation.

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

For the retail portfolio:

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

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

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

For the corporate-commercial portfolio:

- Accounts monitored under BRSA 5th Group (customers with 360+ days of delay or situations where the collection expectation is very low due to significant financial difficulties for the customer/there are no reasonable collection expectations) and accounts with 1080 or more days of delay are removed from the balance sheet and written off.
- For all loans within this scope, the expected credit loss must be 100% and no collections must have occurred in the last 36 months.
- The possibility that the income to be obtained from the enforcement/bankruptcy process will be very low is taken into account.
- If the legal remedies regarding the unsecured portfolio cannot be repaid in its entirety, the portion of the receivable that is deemed unpaid is deducted from the record. Here it is sought to reach a delay of 1080 days.

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 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Collateral/Blocked	2.465.614	-	2.386.360	-
Subject to Repo Transactions	-	-	-	-
Total	**2.465.614**	**-**	**2.386.360**	**-**

2. Information on government debt securities:

	Current Period 30 September 2023	Prior Period 31 December 2022
Government Bond	3.499.610	2.431.825
Treasury Bill	-	-
Other Public Debt Securities	-	-
Total	**3.499.610**	**2.431.825**

3. Information on financial assets measured at amortized cost:

	Current Period 30 September 2023	Prior Period 31 December 2022
Debt Securities	**3.499.610**	2.431.825
Traded in the Stock Exchange	3.499.610	2.431.825
Not Traded in the Stock Exchange	-	-
Other Public Debt Securities	-	-
Total	**3.499.610**	**2.431.825**

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

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

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Value at the Beginning of the Period	2.431.825	-
Currency Differences in Monetary Assets	-	-
Purchases During the Year	1.014.268	2.385.221
Disposal through Sale and Redemption	-	-
Valuation Effect	53.517	46.604
Total	**3.499.610**	**2.431.825**

g) Information on associates (Net):

The Group has no associates as of 30 September 2023 and 31 December 2022.

h) Information on subsidiaries (Net):

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

As of 30 September 2023, the Group has no subsidiaries that are not included in the scope of consolidation. As of 31 December 2022, 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 Parent Bank, started on 17 October 2019 and was liquidated on 28 March 2022.

2. Information on subsidiaries included in the scope of consolidation:

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)	The Parent Bank's Share Percentage- If Different Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
HSBC Yatırım ve Menkul Değerler A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	100,00	-

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss(**)	Fair Value
354.695	242.358	4.414	12.639	-	58.965	24.139	-

(*) Prepared on the reviewed 30 June 2023 consolidated financial statements
(**) Prepared on the reviewed 30 June 2022 consolidated financial statements

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

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

3. Movement schedule of the consolidated subsidiaries:

	Current Period 30 September 2023	Prior Period 31 December 2022
Balance at the Beginning of the Period	**34.753**	**34.753**
Movements During the Period	**-**	**-**
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Impairment Provision	-	-
Balance at the End of the Period	**34.753**	**34.753**
Capital Commitments	**-**	**-**
Share Percentage at the End of the Period (%)	**100,00**	**100,00**

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

5. Subsidiaries quoted on a stock exchange:

The Group has no subsidiaries quoted on a stock exchange as of 30 September 2023 and 31 December 2022.

i) Information on jointly controlled entities:

1. As of 30 September 2023 and 31 December 2022, the Group does not have any jointly controlled entities.

2. As of 30 September 2023 and 31 December 2022, the accounting method is not determined since the Group has no jointly controlled entities.

j) Information on financial lease receivables (Net):

As of 30 September 2023 and 31 December 2022, the Group does not have any financial lease receivables.

k) Explanations on hedging derivative financial assets:

As of 30 September 2023 and 31 December 2022, the Group has no derivative financial assets for hedging purposes.

l) Explanations on property and equipment:

Not disclosured in the interim period.

m) Explanations on intangible assets:

Not disclosured in the interim period.

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

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

n) Information on the investment properties:

As of 30 September 2023 and 31 December 2022, the Group has no investment properties.

o) Explanations on deferred tax asset:

As of 30 September 2023, the deferred tax asset of the Group is TL 855.612 (31 December 2022: TL 423.306). Temporary differences subject to deferred tax calculation mainly arise from tax deductions, other provisions set under TAS 37, the differences between the book value and tax value of fixed assets and financial assets and liabilities, and employee benefits provision.

Assets and liabilities calculated over the timing differences between applied accounting policies and valuation principles and tax legislation are netted and accounted for. Information on deferred tax asset of the Parent Bank as of 30 September 2023 is explained in Note XX of Section Three.

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

As of 30 September 2023, the Group has no assets held for sale (31 December 2022: None).

r) Information on other assets:

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Miscellaneous Receivables (*) (**)	387.604	343.832
Prepaid Expenses	134.166	79.812
Debited Suspense Accounts	62.786	253.465
Other Rediscount Income	75.488	59.869
Other Assets	8.059	18.961
Total	**668.103**	**755.939**

(*) Includes BIST guarantees.

(**) As of 30 September 2023 amount of TL 6.368 provision provided for Miscellaneous Receivables within the scope of TFRS 9 (31 December 2022: TL 8.632).

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

As of 30 September 2023 and 31 December 2022, the Group has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a) Information on deposits

1. Information on maturity structure of the deposits:

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

1(i). Current Period – 30 September 2023:

	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	695.378	-	803.629	3.108.726	41.597.396	2.909.458	568.338	-	49.682.925
Foreign Currency Deposits	27.083.735	-	3.513.749	4.114.224	287.842	123.842	154.999	-	35.278.391
Residents in Turkey	23.852.951	-	3.207.618	3.283.873	177.495	33.228	56.599	-	30.611.764
Residents Abroad	3.230.784	-	306.131	830.351	110.347	90.614	98.400	-	4.666.627
Public Sector Deposits	5.816	-	-	-	-	-	-	-	5.816
Commercial Deposits	2.952.919	-	12.523.702	357.819	3.139.222	1.064.982	-	-	20.038.644
Other Institutions Deposits	72.756	-	119	-	-	-	-	-	72.875
Precious Metal Deposit	6.022.901	-	8.665	216.950	5.723	8.086	-	-	6.262.325
Bank Deposits	117.881	-	2.376.993	-	-	-	-	-	2.494.874
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	117.881	-	2.376.993	-	-	-	-	-	2.494.874
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**36.951.386**	**-**	**19.226.857**	**7.797.719**	**45.030.183**	**4.106.368**	**723.337**	**-**	**113.835.850**

1(ii). Prior Period - 31 December 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	605.370	-	1.689.826	5.339.340	9.663.712	982.808	679.279	-	18.960.335
Foreign Currency Deposits	20.224.273	-	3.971.182	5.324.800	2.333.025	174.392	176.464	-	32.204.136
Residents in Turkey	17.563.620	-	3.728.567	4.465.304	2.191.485	85.538	54.456	-	28.088.970
Residents Abroad	2.660.653	-	242.615	859.496	141.540	88.854	122.008	-	4.115.166
Public Sector Deposits	3.584	-	-	-	-	-	-	-	3.584
Commercial Deposits	1.891.056	-	6.960.713	68.011	2.537.653	615.568	479.880	-	12.552.881
Other Institutions Deposits	23.663	-	492	-	-	-	-	-	24.155
Precious Metal Deposit	5.554.573	-	19.426	393.688	453.692	12.977	-	-	6.434.356
Bank Deposits	342.703	-	750.214	-	-	-	-	-	1.092.917
The CBRT	39.776	-	-	-	-	-	-	-	39.776
Domestic Banks	-	-	112.312	-	-	-	-	-	112.312
Foreign Banks	302.927	-	637.902	-	-	-	-	-	940.829
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	**28.645.222**	**-**	**13.391.853**	**11.125.839**	**14.988.082**	**1.785.745**	**1.335.623**	**-**	**71.272.364**

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 2023, the foreign exchange-protected deposit amount in this context is TL 45.739.659.

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

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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:

Saving Deposits	Covered by Deposit Insurance Fund Current Period 30 September 2023	Exceeding Deposit Insurance Limit Current Period 30 September 2023	Covered by Deposit Insurance Fund Prior Period 31 December 2022	Exceeding Deposit Insurance Limit Prior Period 31 December 2022
Saving Deposits	9.088.156	40.594.769	4.378.118	14.582.217
Foreign Currency Saving Deposits	7.925.147	17.259.214	4.838.782	19.438.422
Other Deposits in the Form of Saving	1.234.162	4.872.460	761.830	5.595.277
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	**18.247.465**	**62.726.443**	**9.978.730**	**39.615.916**

(*) 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 284.977 and the relevant amount is not included in the footnote.

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

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

	Current Period 30 September 2023	Prior Period 31 December 2022
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	39.033	37.822
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities	-	-

b) Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 30 September 2023		Prior Period 31 December 2022	
	TL	**FC**	**TL**	**FC**
Forward Transactions	-	745.982	106	125.564
Swap Transactions	562.876	544.346	394.067	558.518
Future Transactions	-	-	-	-
Options	-	4.192.781	-	2.599.203
Total	**562.876**	**5.483.109**	**394.173**	**3.283.285**

c) Information on funds provided under repurchase agreements

As of 30 September 2023, the Group has no funds from repo transactions (31 December 2022: None).

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

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

d) Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 30 September 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	-	-
Foreign Banks and Institutions and Funds	-	5.165.279	-	132.825
Total	**-**	**5.165.279**	**-**	**132.825**

2. Information on the maturity structure of funds borrowed:

	Current Period 30 September 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
Short-Term	-	668.491	-	132.825
Medium and Long-Term	-	4.496.788	-	-
Total	**-**	**5.165.279**	**-**	**132.825**

3. Further information on the concentration areas of liabilities:

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

e. Information on marketable securities issued:

As of 30 September 2023, the Group has no securities issued (31 December 2022: None).

f) Information on other foreign liabilities:

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

g) Information on financial leasing agreements

1. Explanations on finance lease payables:

With the "TFRS 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 2023	Prior Period 31 December 2022
Less than 1 year	25.638	7.886
Between 1- 4 years	77.830	44.854
More than 4 years	28.818	40.036
Total	**132.286**	**92.776**

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

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

h) Information on derivative financial liabilities for hedging purposes:

As of 30 September 2023, the Group has no derivative financial liabilities for hedging purposes (31 December 2022: None).

i) Information on provisions:

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Provisions for off-balance sheet commitments (*)	46.173	49.030

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

2. Information on employee benefit provisions:

As of 30 September 2023, the Group has employee termination benefit provision amounting to TL 137.263 (31 December 2022: TL 245.854), and unused vacation provision amounting to TL 45.383 (31 December 2022: TL 28.808).

According to the Turkish Labor Law, the Parent 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. 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 for the future probable obligation of the Parent Bank determined by using certain actuarial assumptions. TAS 19 requires actuarial valuation methods to be used in order to calculate the Group'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 show the expected real rate after adjusting for the expected effects of inflation.

	Current Period 30 September 2023	Prior Period 31 December 2022
As of 1 January	245.854	61.264
Service Cost	5.689	5.130
Interest Cost	33.793	14.137
Actuarial Loss / (Gain)	38.823	172.907
Paid in Current Period	(186.896)	(7.584)
Total	**137.263**	**245.854**

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

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

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

As of 30 September 2023, there is no foreign exchange difference provision for foreign currency indexed loans (31 December 2022: None).

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

As of 30 September 2023, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 4.029 (31 December 2022: TL 1.671).

5. Information on restructuring provisions:

As of 30 September 2023, the Parent Bank has no provision for restructuring (31 December 2022: TL None).

6. Information on other provisions:

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

As of 30 September 2023, the Group has no free provisions for possible risks (31 December 2022: None).

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Provision for Lawsuits	66.603	50.386
Provision for Accumulated Credit Card Bonus	8.477	7.766
Return Provision of Case File Expenses	162	226
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	4.029	1.671
Other Provisions (*)	249.735	348.115
Total	**329.006**	**408.164**

(*) As of 30 September 2023 other provisions include Stage 1 and Stage 2 non-cash loans provision for expected losses within TFRS 9 amounting to TL 46.173 (31 December 2022: TL 49.030) and other provisions within TAS 37.

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

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

j) Explanations on tax liability:

1) Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period 30 September 2023	Prior Period 31 December 2022
Corporate Taxes Payable	430.049	231.600
Banking Insurance Transaction Tax (BITT)	31.500	20.557
Value Added Tax Payable	53.046	34.275
Capital Gains Tax on Property	7.618	4.871
Foreign Exchange Transaction Tax	729	660
Taxation on Marketable Securities	7.165	6.477
Other(*)	29.363	24.050
Total	**559.470**	**322.490**

(*) As of 30 September 2023, there is income tax deducted from wages amounting to TL 26.471 (31 December 2022: TL 18.344), stamp duty of TL 733 (31 December 2022: TL 475), other taxes amounting to TL 1.964 (31 December 2022: TL 2.939) and self-employment income tax amounting to TL 195 (31 December 2022: TL 275).

1(ii). Information on premium payables:

	Current Period 30 September 2023	Prior Period 31 December 2022
Social Security Premiums – Employer	34.256	16.060
Social Security Premiums – Employee	29.964	18.816
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	2.942	2.126
Unemployment Insurance – Employee	1.817	1.332
Other	-	-
Total	**68.979**	**38.334**

2. Information on deferred tax liability:

As of 30 September 2023, information on the Group's deferred tax liability is explained in Note XX of Section Three.

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

As of 30 September 2023 and 31 December 2022, the Group has no liabilities regarding assets held for sale and discontinued operations.

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

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

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 disclosured in the interim period.

m) Information on shareholder's equity

1. Presentation of paid-in capital:

	Current Period 30 September 2023	Prior Period 31 December 2022
Common Stock Provision	652.290	652.290
Preferred Stock Provision	-	-

The paid-in capital of the Parent Bank is shown above in nominal terms. As of 30 September 2023, there is a capital reserve of TL 272.693 arising from the adjustment of the paid-in capital for inflation (31 December 2022: TL 272.693) and TL 1.198.730 (31 December 2022: TL 50.880) other capital reserves.

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

Registered share capital system is not applied.

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

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

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

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

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

The Group has no capital commitments.

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

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

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

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

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

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

8. Information on valuation differences of marketable securities:

	Current Period 30 September 2023		Prior Period 31 December 2022	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	**-**	**-**	**-**	**-**
Valuation Difference	-	-	-	-
Foreign Currency Difference	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	**201.843**	**-**	**100.572**	**-**
Valuation Difference	201.843	-	100.572	-
Foreign Currency Difference	-	-	-	-
Total	**201.843**	**-**	**100.572**	**-**

9. Information on revaluation value increase fund:

As of 30 September 2023 and 31 December 2022, the Group 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 Parent Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

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

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

a) Explanation on liabilities in off-balance sheet accounts:

1. Type and amount of irrevocable commitments:

	Current Period 30 September 2023	Prior Period 31 December 2022
Asset Purchase and Sale Commitments	13.762.542	6.910.339
Commitments for Credit Card Limits	5.550.605	4.091.710
Commitments for Cheques	11.202	11.692
Loan Granting Commitments	32.327	104.803
Short Sale Commitments	-	-
Commitments for Credit Cards and Banking Services Promotions	42.035	29.273
Tax and Fund Liabilities from Export Commitments	2.286	2.286
Other Irrevocable Commitments	584.531	514.107
Total	**19.985.528**	**11.664.210**

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

There is no any probable loss arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in "Off-balance sheet commitments".

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Letters of Guarantee	15.101.979	9.350.465
Letters of Credit	8.593.556	4.006.280
Bank Acceptances	-	-
Other Guarantees	667.371	465.778
Total	**24.362.906**	**13.822.523**

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

None other than those described in clause 2(i) above.

3. Information on the non-cash loans:

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

	Current Period 30 September 2023	Prior Period 31 December 2022
Non- Cash Loans Given for Cash Loan Risks Non- Cash Loans	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More Than One Year	-	-
Other Non-Cash Loans	**24.362.906**	**13.822.523**
Total	**24.362.906**	**13.822.523**

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

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

Not disclosured in the interim period.

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

Not disclosured in the interim period.

b) Explanations on derivative transactions:

Not disclosured in the interim period.

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

None.

d) Explanations on contingent liabilities and assets:

Contingent assets are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 30 September 2023s, there are no contingent assets to be disclosed.

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

The Group has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 September 2023, a total provision of TL 66.765 (31 December 2022: TL 50.612) has been made for those lawsuits as the probability of being concluded against the Group is higher than the probability of being concluded in its favor, with TL 162 (31 December 2022: TL 226) being for provisions for refunds related to case document charges.

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a) Information on interest income:

1. Information on interest income received from loans:

	Current Period 30 September 2023		Prior Period 30 September 2022	
	TL	FC	TL	FC
Interest Income on Loans (*)				
Short-Term Loans	2.340.871	946.583	2.374.560	359.387
Medium and Long-Term Loans	787.944	912.672	357.098	476.463
Interest on Loans Under Follow-Up	9.028	974	19.764	939
Resource Utilization Support Fund	-	-	-	-
Total	**3.137.843**	**1.860.229**	**2.751.422**	**836.789**

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

2. Information on interest income received from banks:

	Current Period 30 September 2023		Prior Period 30 September 2022	
	TL	FC	TL	FC
The CBRT	361.183	23.910	2.490	-
Domestic Banks	1.320.501	-	152.182	-
Foreign Banks	2.730	42.890	818	6.141
Headquarters and Branches Abroad	-	-	-	-
Total	**1.684.414**	**66.800**	**155.490**	**6.141**

3. Information on interest income on marketable securities:

	Current Period 30 September 2023		Prior Period 30 September 2022	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	65.219	13.575	63.311	8.208
Financial Assets at Fair Value Through Other Comprehensive Income	602.425	-	545.736	-
Financial Assets Measured at Amortized Cost	306.405	-	29.252	-
Total	**974.049**	**13.575**	**638.299**	**8.208**

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

As of 30 September 2023, the Parent Bank has no interest income received from investments in associates and subsidiaries (30 September 2022: None).

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

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

b) Information on interest expense:

1. Information on interest expense on funds borrowed:

	Current Period 30 September 2023		Prior Period 30 September 2022	
	TL	**FC**	**TL**	**FC**
Banks	**2.752**	**404.555**	**-**	**121.244**
The CBRT	-	-	-	-
Domestic Banks	2.752	-	-	-
Foreign Banks	-	404.555	-	121.244
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	**2.752**	**404.555**	**-**	**121.244**

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

None.

3. Information on interest expense paid on securities issued:

	Current Period 30 September 2023		Prior Period 30 September 2022	
	TL	**FC**	**TL**	**FC**
Interest expense to marketable securities issued	-	-	70.580	-

4. Maturity structure of the interest expense on deposits:

		Time Deposit						
Current Period: 30 September 2023	**Demand Deposit**	**Up to 1 Month**	**Up to 3 Month**	**Up to 6 Month**	**Up to 1 Year**	**More than 1 year**	**Cumulative Deposit**	**Total**
Turkish Lira								
Interbank deposits	-	50.232	-	-	-	-	-	50.232
Saving deposits	-	141.539	2.889.200	3.781.533	102.473	66.272	-	6.981.017
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	838.133	222.199	496.021	72.602	20.845	-	1.649.800
Other deposits	-	136	1.820	-	-	-	-	1.956
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	**-**	**1.030.040**	**3.113.219**	**4.277.554**	**175.075**	**87.117**	**-**	**8.683.005**
Foreign Currency								
Foreign currency deposits	-	30.804	5.043	21.588	1.541	493	-	59.469
Interbank deposits	-	753	-	-	-	-	-	753
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	134	3.130	94	-	-	3.358
Total	**-**	**31.557**	**5.177**	**24.718**	**1.635**	**493**	**-**	**63.580**
Grand Total	**-**	**1.061.597**	**3.118.396**	**4.302.272**	**176.710**	**87.610**	**-**	**8.746.585**

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

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

Prior Period: 30 September 2022	Demand Deposit	Time Deposit Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More than 1 year	Cumulative Deposit	Total
Turkish Lira								
Interbank deposits	-	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	-	458.609	42.426	127.501	93.357	33.918	-	755.811
Other deposits	-	20	-	-	-	-	-	20
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	**-**	**705.875**	**302.374**	**912.464**	**157.998**	**93.544**	**-**	**2.172.255**
Foreign Currency								
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
Total	**-**	**21.791**	**36.105**	**9.243**	**214**	**342**	**-**	**67.695**
Grand Total	**-**	**727.666**	**338.479**	**921.707**	**158.212**	**93.886**	**-**	**2.239.950**

5. Information on interest given on repurchase agreements:

In the account period ending on 30 September 2023, the interest paid on repo transactions is TL 3.188 (30 September 2022: TL 62.430).

6. Information on finance lease expenses:

Financial leasing expense of the Group for the period ending on 30 September 2023 is TL 19.686 (30 September 2022: TL 12.931).

7. Information on interest given on factoring payables

The Group has no factoring expenses for the accounting periods ending on 30 September 2023 and 30 September 2022.

c) Explanations on dividend income:

For the period ended 30 September 2023, there is no amount corresponding to the Group's share of dividend income from subsidiaries' profit distribution (30 September 2022: TL 4.459).

d) Explanations on Trade Gain/Loss (Net):

1. Trade Gain/Loss (Net):

	Current Period 30 September 2023	Prior Period 30 September 2022
Profit	**662.245.119**	**366.675.539**
Capital Market Transactions Income	656.751	585.536
Gain on Derivative Financial Transactions	13.026.444	11.979.504
Foreign Exchange Gains	648.561.924	354.110.499
Loss (-)	**656.777.958**	**364.757.377**
Capital Market Transactions Loss	533.552	368.560
Loss on Derivative Financial Transactions	11.179.901	11.561.002
Foreign Exchange Loss	645.064.505	352.827.815
Total (Net)	**5.467.161**	**1.918.162**

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

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

e) Information on other operating income:

	Current Period 30 September 2023	Prior Period 30 September 2022
Reversal of Previous Years Expenses (*)	108.720	81.403
Gain on Sale of Assets	4.200	3.004
Provision for Telecommunication Expense	6.072	3.932
Other Income	132.016	111.458
Total	**251.008**	**199.797**

(*) It consists of collections or cancellations made from the provision amounts transferred to expense accounts in previous years.

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

	Current Period 30 September 2023	Prior Period 30 September 2022
Expected Credit Loss	270.923	187.614
12 Months Expected Credit Loss (Stage 1)	177.060	-
Significant Increase in Credit Risk (Stage 2)	-	187.614
Non-performing Loans (Stage 3)	93.863	-
Marketable Securities Impairment Expense	52.085	23.681
Financial Assets at Fair Value Through Profit or Loss	52.085	22.917
Financial Assets at Fair Value Through Other Comprehensive Income	-	764
Investments in Associates, Subsidiaries and Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities	-	-
Other	-	-
Total	**323.008**	**211.295**

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

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

g) Information related to other operating expenses:

	Current Period 30 September 2023	Prior Period 30 September 2022
Reserve for Employee Termination Benefits (*)	-	-
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	77.708	55.189
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	117.546	77.954
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	-	-
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	457.982	278.178
Leasing Expenses on TFRS 16 Exceptions	11.286	8.084
Maintenance Licensing Expenses	159.699	94.984
Maintenance Expenses	49.217	27.288
Communication Expenses	18.474	12.487
Advertisement Expenses	16.438	16.362
Other Expenses	202.868	118.973
Loss on Sales of Assets	797	922
Tax, Duties, Charges and Funds Expenses	180.343	110.196
Saving Deposit Insurance Fund Expenses	91.005	62.214
Other (*)	396.736	294.126
Total	**1.322.117**	**878.779**

(*) Of the amount of TL 396.736 (30 September 2022: TL 294.126) shown in the Other line, TL 4.068 is audit and consultancy fees (30 September 2022: TL 1.550), TL 113 is from the arbitral tribunal expenses (30 September 2022: TL 151) and the remaining TL 392.555 consists of other expenses (30 September 2022: TL 292.425).

h) Explanation on profit/loss before taxes from continuing operations and discontinued operations

Not disclosured in the interim period.

i) Explanation on tax provision for continuing and discontinued operations:

As of 30 September 2023, the current tax provision expense of the Group is TL 1.142.838 (30 September 2022: TL 400.921 expense) and deferred tax income is TL 416.114 (30 September 2022: TL 296.815 income).

j) Explanation on profit/loss after taxes for continuing and discontinued operations:

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

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

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

k) Explanation on net profit and loss for the period:

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

In the period ended on 30 September 2023, net interest income takes an important place among income items with TL 785.873 (on 30 September 2022: TL 2.300.513), net fee and commission incomes with TL 900.521 (30 September 2022: TL 632.745). 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 Group, explanation if any effect of these changes in the subsequent periods:

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

l) Explanation on other items stated in the income statement

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

	Current Period 30 September 2023	**Prior Period 30 September 2022**
Credit Card Transactions	243.942	198.890
Insurance Commissions	67.318	44.159
Banking Transactions	48.929	16.989
TEFAS Fund Platform	157.450	89.605
Other Fee and Commissions	268.048	148.354
Total	**785.687**	**497.997**

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

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

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

Not disclosured in the interim period.

2. Information on increases in cash flow hedges:

Not disclosured in the interim period.

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

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

Not disclosured in the interim period.

2. Information on cash flow hedges:

Not disclosured in the interim period.

c) Information on dividend distribution:

None.

d) Information on issuance of common stock:

Not disclosured in the interim period.

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

Not disclosured in the interim period.

f) Offsetting prior period's losses:

Not disclosured in the interim period.

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

Not disclosured in the interim period.

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

Not disclosured in the interim period.

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

Not disclosured in the interim period.

d) Information on cash and cash equivalents:

Not disclosured in the interim period.

e) Additional information:

None.

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

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

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

Current Period – 30 September 2023:

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Individuals and Legal Entities in the Risk Group	
Loans	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Opening Balance	-	-	-	632.336	477	-
Closing Balance	-	-	-	897.872	1.023	-
Interest and Commission Income	-	-	575	36.498	140	-

Prior Period - 31 December 2022:

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Individuals and Legal Entities in the Risk Group	
Loans	**Cash**	**Non-cash**	**Cash**	**Cash**	**Non-cash**	**Cash**
Opening Balance	-	-	-	539.102	172	-
Closing Balance	-	-	-	632.336	477	-
Interest and Commission Income	-	-	-	18.037	20	-

(*) Prior period balances represent 30 September 2022 amounts.

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

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
Deposits	**Current Period 30 September 2023**	**Current Period 30 September 2023**	**Current Period 30 September 2023**
Opening Balance	-	353.053	82.750
Closing Balance	-	117.936	51.896
Interest Expense on Deposits	-	40.411	6.662

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
Deposits	**Prior Period 31 December 2022**	**Prior Period 31 December 2022**	**Prior Period 31 December 2022**
Opening Balance	5.032	180.832	69.784
Closing Balance	-	353.053	82.750
Interest Expense on Deposits (*)	-	54	754

(*) Prior period balances represent 30 September 2022 amounts.

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

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period 30 September 2023	**Current Period 30 September 2023**	**Current Period 30 September 2023**
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	41.316.378	10.127
Closing Balance	-	62.915.588	-
Total Profit/Loss	-	301.863	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

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

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

Group's Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period 31 December 2022	Prior Period 31 December 2022	Prior Period 31 December 2022
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	37.211.717	-
Closing Balance	-	41.316.378	10.127
Total Profit/Loss	-	33.643	
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

(*) Prior period balances represent 30 September 2022 amounts.

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

As of 30 September 2023, payment amounting to TL 113.345 is made to the Board of Directors and top executives of the Group (30 September 2022: TL 70.966).

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

Information on the Group's domestic and foreign branches and foreign representatives of the Parent Bank:

Not disclosured in the interim period.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The consolidated financial statements for the interim period ended 30 September 2023 have been reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. The independent review report dated 17 November 2023 is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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

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 Parent 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 2023. 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 2023, HSBC Bank A.Ş.'s paid-in capital is TL 652.290 Thousand and its capital structure is as follows.

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

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

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)

3. Information on Branches and Personnel

As of 30 September 2023, the Parent Bank has 65 domestic branches (31 December 2022: 70 domestic branches). As of 30 September 2023, the number of personnel of the Bank is 1.767 (31 December 2022: 1.902).

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 2023 period.

5. Chairman and Members of the Board of Directors

As of 30 September 2023, the members of the Board of Directors are as follows.

Name and Surname	Title
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

6. Audit Committee

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

Name and Surname	Title
Didem Çerçi	Head of the Audit Committee
Robert Adrian Underwood	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 Parent Bank's internal systems, operation of such systems and accounting and reporting systems within the framework of Banking Law and relevant regulations, and also supervising the consistency of the information provided, making the necessary pre-assessments related to the selection of evaluations and support service institutions by the Board of Directors and regularly following the activities of such institutions, which were selected and made in agreement with the Board of Directors, and maintaining and coordinating the consolidation of internal audit activities of partnerships subject to consolidation as per the regulations with regard to the Banking Law.

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

7. Executive Management

HSBC Bank A.Ş. Executive Management as of 30 September 2023 is as follows.

Name and Surname	Title	Area of Responsibility
Süleyman Selim Kervancı	CEO	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
Seyyare Özbaşlı Tınaz	Executive Vice President	Technology and Services
Dilek Güleç Salzburg	Executive Vice President	Global Banking
Caner Işlak	Executive Vice President	Corporate Banking
Funda Temoçin	Executive Vice President	Human Resources
İbrahim Namık Aksel	Executive Vice President	Treasury and Capital Markets
Tolga Tüzüner	Head Legal Advisor	Legal

(*) Ayşe Yenel resigned from her position as Executive Vice President of Retail Banking as of 14 July 2023.

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 2023 are as follows.

Definitions	Rating
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

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

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

9. Summary of consolidated financial information for the Period

HSBC Bank A.Ş 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 consolidated financial statements, in the period ending on 30 September 2023, the total assets of HSBC Bank A.Ş. increased by 64% compared to the end of 2022 and reached TL 144 billion. At the end of the period, loans constituting approximately 33% of assets are around TL 47.4 billion. Deposits, which are the biggest funding source of the balance sheet, amounted to TL 113.8 billion and constituted 79% of liabilities. The period-end balances of the consolidated balance sheet item groups are shown below.

ASSETS (Thousand TL))	30.09.2023	31.12.2022
Financial Assets (Net)	93.431.755	46.647.264
Other Financial Assets Measured at Amortized Cost	48.817.473	39.830.645
Non-Current Assets or Disposal Groups "Held for Sale" and Held from Discontinued Operations (Net)	-	-
Equity Investments	-	-
Property and Equipment (Net)	293.127	236.710
Intangible Assets (Net)	357.130	320.385
Investment Property (Net)	-	-
Current Tax Asset	-	-
Deferred Tax Asset	855.612	423.306
Other Assets	668.103	755.939
Total Assets	**144.423.200**	**88.214.249**

LIABILITIES (Thousand TL)	30.09.2023	31.12.2022
Deposits	113.835.850	71.272.364
Funds Borrowed	5.165.279	132.825
Money Markets	-	-
Securities Issued (Net)	-	-
Funds	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-
Derivative Financial Liabilities	6.045.985	3.677.458
Factoring Liabilities	-	-
Lease Liabilities	132.286	92.776
Provisions	511.652	682.826
Current Tax Liability	628.449	360.824
Deferred Tax Liability	-	-
Liabilities Related to Non-Current Assets "Held for Sale" and "Held from Discontinued Operations"(Net)	-	-
Subordinated Debt	3.841.641	2.636.964
Other Liabilities	3.074.487	1.789.443
Shareholders' Equity	11.187.571	7.568.769
Total Liabilities	**144.423.200**	**88.214.249**

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

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)

The consolidated profit and loss statement information of HSBC Bank as of 30 September 2023 and 30 September 2022 is shown below.

STATEMENT OF INCOME (Thousand TL)	30.09.2023	30.09.2022
Net Interest Income	785,873	2.300.513
Other Non-Interest Income	6.618.690	2.755.163
Total Operating Income/Expense	**7.404.563**	**5.055.676**
Other Operating Expenses (-)	2.776.435	1.697.742
Provision for Loan Losses (-)	365.846	234.948
Net Operating Income/(Loss)	**4.262.282**	**3.122.986**
Tax Provision (-)	726.724	697.736
NET PROFIT/LOSS FOR THE PERIOD	**3.535.558**	**2.425.250**

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

Concerns about global inflation, growth and geopolitical risks continued to top the agenda around global economic activity in the first 9 months of the year. Tighter labor market dynamics, property sector problems in Asia and geopolitical fragmentation that may constrain commodity flow across markets and trigger price volatility were among the main factors to contribute to the persistence of inflationary pressures. Policy makers focus on implementing extra actions to restore price stability if needed while putting into effect reforms to reduce structural impediments to growth will be crucial for the disinflation process.

Economic activity in Türkiye remained relatively strong in the same period mainly thanks to household demand. Sharper-than-expected depreciation in Lira, increase in the minimum wage and consumption tax changes became the focus while markets were monitoring inflation.

Our bank continued its steady growth in the third quarter of 2023. With all the resources of our bank, we continued to support our economy and regulatory institutions' targets. While maintaining our solid balance sheet structure, we led 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. The asset size of our bank increased by 64% compared to 2022 year-end and reached 144 billion TL. Our customer deposits - main funding source of our bank - increased by 60% compared to the previous year and reached 113.8 billion TL. Despite increasing funding costs and the continuing pressure of inflation on costs, we continued our sustainable financial performance in 2023. Thanks to our prudent credit risk management, we managed to keep our risk costs well below the industry average.

As HSBC Group, we continue to support the country's economy, our customers and our employees, despite the challenges in global markets. We will continue to support our customers in areas where we are strong, where we can add value to the country's economy by prioritizing full compliance with legal regulations during the rest of the year. Our international connectivity, wide network of global investors as well as our expertise in structured finance and ESG themed products will be key to deliver strong performance for all our stakeholders moving forward.

The persistent efforts of our colleagues, the resilience of our operations and our prudent risk management strategy continue to add synergy to HSBC's global business and increase value of our franchise. I would like to thank the Board, the Management Team, our colleagues and our customers for their trust and continuing commitment to HSBC.

Sincerely,

Paul Joseph Lawrence
Chairman

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

Message from Süleyman Selim Kervancı, Chief Executive Officer

Fighting inflation and geopolitical risks topped the agenda in global economy in the first 9 months of the year. Major central banks have focused on data related to economic activity and inflation. Markets and investors have continued to monitor messages and new tightening measures of the central banks within the scope of released macro data.

Turkish banking sector's Total assets, loans and deposits grew by 47%, 41% and 50% respectively in the first 9 months of the year. Sector's ROE reached 36%. We believe that increasing policy rates and loan interest rates will impact sector's performance positively.

Inflation developments, the change in economic management as well as gradual normalization of economic policies were the main topics on the domestic economy front in Q3. On the monetary policy front, with its new Monetary Policy Committee Members, the Central Bank of Türkiye, increased the policy rate further to 30% from 15% in Q3, while changing the regulations gradually. Achieving disinflation in Turkey and bringing consumer inflation to 36% by the end of 2024 and to 15% by the end of 2025 seems one of the main targets for the new central bank administration.

Alignment with the authorities' Liraization measures despite volatile market conditions became our primary priority in the third quarter of 2023. Increases primarily in deposit funding rates continued to put pressure on margins and profitability. Gradual normalisation in credit interest rates continued as the economy management continued to increase policy rates to combat inflation. Pressure on our costs has also persisted due to rise in inflation.

We managed to keep our liquidity and funding position well above the legal threshold/limits and our risk appetite thanks to our consistent deposit base and our ability to reach foreign funding in 2023.We continued to pioneer the sector with benchmark deals in structured finance and corporate finance where we have stronghold. We also executed benchmark ECM, DCM and ECA deals; and intermediated eurobond transactions

WPB continued to support our growth in the same period. New customer acquisition through digital onboarding project and alternative investment products such as equity and eurobond funds which we provide to our customers were the main drivers of our successful performance in WPB. We continue to become the go to bank for our customers thanks to our expertise in wealth management and our banking service mirroring the quality of private banking.

We will continue to provide value add to the economy, our customers and shareholders for the rest of the year leveraging strategy of our group and the power of our corporate network while managing our balance sheet and operations in alignment with the legal regulations

I would like to thank to our employees at HSBC Türkiye for their performance and dedicated, hard work on behalf of the management. I would also like to extend my thanks to our stakeholders who perceive us as their main bank thanks to their trust in us.

Sincerely,

Selim Kervancı

Chief Executive Officer

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

10. Additional Information Regarding the Period 01.01.2023 – 30.09.2023

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