

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS
AND REVIEW REPORT AT 30 JUNE 2017,
SEE NOTE I OF SECTION THREE**

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
REVIEW REPORT AT 30 JUNE 2017**



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish,
See Note I of Section Three)

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

Introduction

We have reviewed the consolidated balance sheet of HSBC Bank A.Ş. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 June 2017 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, 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 six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and 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 BRSA Accounting and Reporting Legislation. 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

Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of HSBC Bank A.Ş. and its consolidated subsidiaries at 30 June 2017 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

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 report in Section Seven, is not consistent with the consolidated financial statements and disclosures in all material respects.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

A handwritten signature in blue ink, appearing to read "Zeynep Uras", is written over the printed name and title.

Zeynep Uras, SMMM
Partner

Istanbul, 21 August 2017



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.S. AND ITS FINANCIAL
AFFILIATES AS OF AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

Address of Bank's Headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli 34394, İstanbul
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The consolidated financial report for the six 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 PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- 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 six 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.

David Gordon Eldon
Chairman

Süleyman Selim Kervancı
General
Manager

Burçin Ozan
Financial Reporting
Assistant General
Manager

Yerliozan Kül
Group Head

Ian Simon Jenkins
Head of
Audit Committee

Lütfiye Yeşim Uçtum
Member of
Audit Committee

Information about the responsible personnel whom questions may be asked:

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HSBC Bank A.Ş.

Sicil Numarası: İstanbul Ticaret Sicil Müdürlüğü - 268376

Ticaret Ünvanı: HSBC Bank A.Ş.

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

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 June 2017**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

SECTION ONE

GENERAL INFORMATION

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

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (“the Bank”, “the Parent Bank”, “HSBC Bank”) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The Bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224 100% of the shares of the Bank is owned by HSBC Bank Plc. which is a bank established in England. On 20 September 2001 the ‘Share Sales Agreement’ regarding the sale of all shares of Demirbank T.A.Ş. which was under in Saving Deposit Insurance Fund was signed by the Bank’s main share holder HSBC Bank Plc. According to this agreement the required procedures shall be completed by 31 October 2001 and all shares of the Demirbank T.A.Ş., together with a part of the assets and liabilities shall be transferred to HSBC Bank Plc. on 31 October 2001. In 14 December 2001, Demirbank T.A.Ş. and the Bank merged under the name of HSBC Bank Anonim Şirketi and continued its activities. On 19 September 2002, the Bank has signed the share sales agreement with Benkar Tüketici Finansmanı ve Kart Hizmetleri A.Ş. (“Benkar”) and acquired all shares of Benkar. On 25 December 2002 according to both Benkar’s and the Bank’s board of directors’ minute all assets and liabilities of Benkar is transferred to the Bank. 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 June 2017, the Parent Bank’s nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. Based on the approval of the Banking Regulation and Supervision Agency dated 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. The share capital of the Bank has been fully paid and registered. All shares of the Bank are owned by HSBC Bank Plc. that is located in England and established in accordance with British Law. As of 30 June 2017 there has been no changes regarding the Parent Bank’s capital structure and shareholders of the Parent Bank who are in charge of the management or auditing of the Parent Bank directly or indirectly.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 June 2017**

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

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

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board:	David Gordon ELDON	Chairman	Undergraduate
Deputy Chairman of the Board:	Hamit AYDOĞAN	Deputy Chairman	Undergraduate
Board of Directors:	Süleyman Selim KERVANCI	Member and CEO	Graduate
	Paul HAGEN	Member	Graduate
	David Anthony HARTNETT	Member	Undergraduate
	Mehmet Gani SÖNMEZ	Member	Undergraduate
	Ian Simon JENKINS	Member	Graduate
	Edward Michael FLANDERS	Member	Undergraduate
	Lütfiye Yeşim UÇTUM	Member	Undergraduate
	James Alasdair EMMETT	Member	Graduate
CEO:	Süleyman Selim KERVANCI	CEO	Graduate
Head of Internal Audit:	Umut PASİN	Head of Internal Audit	Undergraduate
Deputy CEO:	Neddet Murat ŞARSEL	Credit and Risk	Graduate
	Rüçhan ÇANDAR	Operations Service and Technology	Graduate
Executive Vice Presidents:	Neddet Murat ŞARSEL	Credit and Risk	Graduate
	Sait Burak ZEYLAN (*)	Commercial Banking	Undergraduate
	Hulusi HOROZOĞLU	Corporate Investment Banking	Graduate
	Ayşe YENEL	Retail Banking	Undergraduate
	Ali Batu KARAALİ	Treasury and Capital Markets	Graduate
	Burçin OZAN	Finance	Undergraduate
	Rüçhan ÇANDAR	Technology and Services	Graduate
Audit Committee:	Ian Simon JENKINS	Head of the Audit Committee	Graduate
	Lütfiye Yeşim UÇTUM	Member of the Audit Committee	Undergraduate
	Paul HAGEN	Member of the Audit Committee	Graduate

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

(*) Per the Board Decision no.13890 dated 16 June 2017, Sait Burak Zeylan resigned from his duty as of 1 August 2017

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

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

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

(*) The amounts are expressed in full TL.

V. SUMMARY INFORMATION ON THE PARENT BANK’S SERVICE TYPE AND FIELDS OF OPERATION

The Parent Bank’s activities in accordance with related regulations and the section three of 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 all kind of sectors,
- 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 invest in both local or foreign companies as founder partner or shareholder, to perform management and auditing process and to purchase equities, bonds and other securities,
- To perform factoring and forfeiting activities,
- To establish social and cultural facilities or to help or participate facilities in the existing.

In addition to regular banking operations in accordance to the articles of association, the Bank also provides insurance intermediary services as an agency of Axa Sigorta, Zurich Sigorta, Allianz Hayat ve Emeklilik, Allianz Sigorta, AIG Sigorta, Euler Hermes, and Anadolu Hayat Emeklilik through its branches and investment intermediary services as an agency of HSBC Yatırım.

As of 30 June 2017, the Parent Bank has 85 branches dispersed throughout the country and 4 branches operating abroad (31 December 2016: 86 branches and 4 branches operating abroad).

As of 30 June 2017, the number of employees of the Group is 2.872 (31 December 2016: 3.240).

VI. OTHER MATTERS

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

VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE

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

The subsidiaries consolidated along with the Parent Bank are referred to as “the Group” in this report.

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HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 June 2017

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

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

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

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

None.

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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 June 2017**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet - Assets**
- I. Consolidated Balance Sheet - Liabilities**
- II. Consolidated Statements of Off - Balance Sheet Commitments**
- III. Consolidated Statements of Income**
- IV. Consolidated Statements of Profit and Loss Items Recognised Under Shareholders’ Equity**
- V. Consolidated Statements of Changes in Shareholders’ Equity**
- VI. Consolidated Statement of Cash Flows**

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET AS OF 30 June 2017 AND 31 DECEMBER 2016
(STATEMENT OF FINANCIAL POSITION)**

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

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET	Note (Section Five I)	Reviewed Current Period (30.06.2017)			Audited Prior Period (31.12.2016)		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. CASH BALANCES WITH THE CENTRAL BANK	(I-a)	4.949.157	1.873.784	6.822.941	179.737	1.589.183	1.768.920
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	436.571	513.161	949.732	667.993	337.824	1.005.817
2.1 Trading Financial Assets		436.571	513.161	949.732	667.993	337.824	1.005.817
2.1.1 Government Debt Securities		265.669	23.181	288.850	65.051	24.551	89.602
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		167.300	489.980	657.280	594.535	313.273	907.808
2.1.4 Other Marketable Securities		3.602	-	3.602	8.407	-	8.407
2.2 Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(I-c)	371.369	189.858	561.227	82.010	877.827	959.837
IV. MONEY MARKETS		1.390.466	-	1.390.466	-	4.372.998	4.372.998
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		1.390.466	-	1.390.466	-	4.372.998	4.372.998
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	1.332.781	3.395	1.336.176	1.262.036	2.435	1.264.471
5.1 Share Certificates		5.567	3.395	8.962	5.567	2.435	8.002
5.2 Government Debt Securities		1.327.214	-	1.327.214	1.256.469	-	1.256.469
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(I-e)	10.698.086	4.018.160	14.716.246	10.184.383	3.973.177	14.157.560
6.1 Loans and receivables		10.338.595	4.018.125	14.356.720	9.734.854	3.973.078	13.707.932
6.1.1 Loans to Bank's Risk Group	(VII)	-	10.442	10.442	-	7.404	7.404
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		10.338.595	4.007.683	14.346.278	9.734.854	3.965.674	13.700.528
6.2 Non-Performing Loans		1.422.589	79	1.422.668	1.430.801	165	1.430.966
6.3 Specific Provisions (-)		1.063.098	44	1.063.142	981.272	66	981.338
VII. FACTORING RECEIVABLES		501.377	-	501.377	476.308	-	476.308
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(I-f)	-	-	-	-	-	-
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
9.1 Associates Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
X. SUBSIDIARIES (Net)	(I-h)	270	-	270	270	-	270
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
XI. JOINT VENTURES (Net)	(I-i)	-	-	-	-	-	-
11.1 Accounted Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCIAL LEASE RECEIVABLES (Net)	(I-j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(I-k)	-	-	-	69.454	-	69.454
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	69.454	-	69.454
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	75.986	-	75.986	81.599	-	81.599
XV. INTANGIBLE ASSETS (Net)	(I-m)	134.961	-	134.961	128.000	-	128.000
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		134.961	-	134.961	128.000	-	128.000
XVI. INVESTMENT PROPERTIES (Net)	(I-n)	-	-	-	-	-	-
XVII. TAX ASSET		13.570	-	13.570	4.556	-	4.556
17.1 Current Tax Asset		12.647	-	12.647	3.743	-	3.743
17.2 Deferred Tax Asset	(I-o)	923	-	923	813	-	813
XVIII. ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	2.797	-	2.797	2.742	-	2.742
18.1 Held for sale Purposes		2.797	-	2.797	2.742	-	2.742
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	89.810	189.814	279.624	99.024	18.354	117.378
TOTAL ASSETS		19.997.201	6.788.172	26.785.373	13.238.112	11.171.798	24.409.910

The accompanying explanations and notes set out on pages 14 to 80 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. AND ITS SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2017 AND 31 DECEMBER 2016
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Reviewed Current Period (30.06.2017)			Audited Prior Period (31.12.2016)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES					
I. DEPOSITS	(II-a)	4.644.923	14.679.696	19.324.619	5.981.850	9.140.222	15.122.072
1.1 Deposits of Bank's Risk Group	(VII)	68.305	10.316	78.621	131.360	7.914	139.274
1.2 Other		4.576.618	14.669.380	19.245.998	5.850.490	9.132.308	14.982.798
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	156.789	491.757	648.546	24.587	642.671	667.258
III. FUNDS BORROWED	(II-d)	765.664	932.881	1.698.545	212.631	2.128.378	2.341.009
IV. MONEY MARKETS					531.938		531.938
4.1 Funds from Interbank Money Market							
4.2 Funds from Istanbul Stock Exchange Money Market							
4.3 Funds Provided Under Repurchase Agreements	(II-c)				531.938		531.938
V. MARKETABLE SECURITIES ISSUED (Net)							
5.1 Bills							
5.2 Asset Backed Securities							
5.3 Bonds							
VI. FUNDS							
6.1 Borrower Funds							
6.2 Other							
VII. MISCELLANEOUS PAYABLES							
VIII. OTHER LIABILITIES	(II-e)	261.201	3.662	264.863	339.910	4.303	344.213
IX. FACTORING PAYABLES		184.956	18.881	203.837	239.967	20.605	260.572
X. FINANCIAL LEASE PAYABLES (Net)	(II-f)						
10.1 Financial Lease Payables							
10.2 Operational Lease Payables							
10.3 Other							
10.4 Deferred Financial Lease Expenses (-)							
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-g)						
11.1 Fair Value Hedge							
11.2 Cash Flow Hedge							
11.3 Foreign Net Investment Hedge							
XII. PROVISIONS	(II-h)	713.226	872	714.098	775.836	900	776.736
12.1 General Loan Loss Provision		459.896		459.896	481.729		481.729
12.2 Restructuring Provisions							
12.3 Reserve for Employee Rights		63.939		63.939	56.303		56.303
12.4 Insurance Technical Provisions (Net)							
12.5 Other Provisions		189.391	872	190.263	237.804	900	238.704
XIII. TAX LIABILITY	(II-i)	41.222		41.222	44.690		44.690
13.1 Current Tax Liability		41.222		41.222	44.690		44.690
13.2 Deferred Tax Liability							
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS	(II-j)						
14.1 Held for Sale Purpose							
14.2 Related to Discontinued Operations							
XV. SUBORDINATED LOANS	(II-k)		1.486.447	1.486.447		1.983.954	1.983.954
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.402.588	608	2.403.196	2.337.468		2.337.468
16.1 Paid-in Capital		652.290		652.290	652.290		652.290
16.2 Capital Reserves		280.973	608	281.581	275.934		275.934
16.2.1 Share Premium							
16.2.2 Share Cancellation Profits							
16.2.3 Marketable Securities Valuation Differences		2.166	608	2.774	(1.194)		(1.194)
16.2.4 Property and Equipment Revaluation Differences							
16.2.5 Intangible Assets Revaluation Differences							
16.2.6 Revaluation Differences of Investment Property							
16.2.7 Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)							
16.2.8 Hedging Funds (Effective portion)		6.114		6.114	4.435		4.435
16.2.9 Value Increase in Asset Held for Sale and Related to Discontinued Operations							
16.2.10 Other Capital Reserves		272.693		272.693	272.693		272.693
16.3 Profit Reserves		1.406.004		1.406.004	1.763.921		1.763.921
16.3.1 Legal Reserves		194.478		194.478	202.922		202.922
16.3.2 Status Reserves							
16.3.3 Extraordinary Reserves		1.240.442		1.240.442	1.586.675		1.586.675
16.3.4 Other Profit Reserves		(28.916)		(28.916)	(25.676)		(25.676)
16.4 Profit or Loss		63.321		63.321	(354.677)		(354.677)
16.4.1 Prior Years' Profit/(Loss)							
16.4.2 Current Year Profit/(Loss)		63.321		63.321	(354.677)		(354.677)
16.5 Minority Interest							
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9.170.569	17.614.804	26.785.373	10.488.877	13.921.033	24.409.910

The accompanying explanations and notes set out on pages 14 to 80 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. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF
30 JUNE 2017 AND 31 DECEMBER 2016**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed Current Period (30.06.2017)			Audited Prior Period (31.12.2016)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		39.765.840	73.905.490	113.671.330	21.036.900	49.809.253	70.846.153
I. GUARANTEES AND WARRANTIES	(III-a-2,3)	865.562	1.449.498	2.315.060	828.588	1.821.812	2.650.400
1.1 Letters of Guarantee		861.672	535.051	1.396.723	828.498	939.230	1.767.728
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		15.918	2.134	18.052	9.806	1.973	11.779
1.1.3 Other Letters of Guarantee		845.754	532.917	1.378.671	818.692	937.257	1.755.949
1.2 Bank Acceptances		-	111.930	111.930	-	58.547	58.547
1.2.1 Import Letter of Acceptance		-	111.930	111.930	-	58.547	58.547
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		-	542.326	542.326	-	476.016	476.016
1.3.1 Documentary Letters of Credit		-	445.207	445.207	-	410.417	410.417
1.3.2 Other Letters of Credit		-	97.119	97.119	-	65.599	65.599
1.4 Refinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		3.890	260.191	264.081	90	348.019	348.109
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a-1)	9.371.431	4.492.201	13.863.632	7.089.287	4.634.919	11.724.206
2.1 Irrevocable Commitments		9.371.431	4.492.201	13.863.632	7.089.287	4.634.919	11.724.206
2.1.1 Asset Purchase and Sale Commitments		3.489.517	4.395.415	7.884.932	497.440	4.634.513	5.131.953
2.1.2 Deposit Purchase and Sales Commitments		-	96.473	96.473	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		400.369	-	400.369	481.649	-	481.649
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheque Payments		510.493	-	510.493	489.020	-	489.020
2.1.8 Tax and Fund Liabilities from Export Commitments		3.998	-	3.998	4.962	-	4.962
2.1.9 Commitments for Credit Card Limits		4.328.654	-	4.328.654	4.797.889	-	4.797.889
2.1.10 Commitments for Credit Cards and Banking Services Promotions		16.639	-	16.639	17.609	-	17.609
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	26.939	49	26.988
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	26.939	49	26.988
2.1.13 Other Irrevocable Commitments		621.761	313	622.074	746.840	308	747.148
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	29.528.847	67.963.791	97.492.638	13.119.025	43.352.522	56.471.547
3.1 Hedging Derivative Financial Instruments		-	-	-	242.340	317.363	559.703
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	242.340	317.363	559.703
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Transactions		29.528.847	67.963.791	97.492.638	12.876.685	43.035.159	55.911.844
3.2.1 Forward Foreign Currency Buy/Sell Transactions		4.154.827	5.684.054	9.838.881	2.600.298	4.018.683	6.618.981
3.2.1.1 Forward Foreign Currency Transactions-Buy		2.982.672	1.986.649	4.969.321	1.635.326	1.643.719	3.279.045
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.172.155	3.697.405	4.869.560	964.972	2.374.964	3.339.936
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		19.053.557	51.146.791	70.200.348	6.774.122	33.254.460	40.028.582
3.2.2.1 Foreign Currency Swap-Buy		2.836.074	23.119.209	25.955.283	2.918.562	7.517.014	10.435.576
3.2.2.2 Foreign Currency Swap-Sell		16.217.483	9.950.778	26.168.261	3.855.560	6.285.948	10.141.508
3.2.2.3 Interest Rate Swap-Buy		-	9.038.402	9.038.402	-	9.725.749	9.725.749
3.2.2.4 Interest Rate Swap-Sell		-	9.038.402	9.038.402	-	9.725.749	9.725.749
3.2.3 Foreign Currency, Interest rate and Securities Options		6.320.463	10.977.777	17.298.240	3.502.265	5.727.374	9.229.639
3.2.3.1 Foreign Currency Options-Buy		3.158.530	5.490.497	8.649.027	1.749.825	2.865.145	4.614.970
3.2.3.2 Foreign Currency Options-Sell		3.161.933	5.487.280	8.649.213	1.752.440	2.862.229	4.614.669
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		-	155.169	155.169	-	34.642	34.642
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		73.990.861	58.123.900	132.114.761	64.750.676	63.538.727	128.289.403
IV. ITEMS HELD IN CUSTODY		57.685.337	1.547.499	59.232.836	45.401.965	1.637.076	47.039.041
4.1 Customer Fund and Portfolio Balances		1.308.147	-	1.308.147	1.105.508	-	1.105.508
4.2 Investment Securities Held in Custody		29.358.614	1.390.846	30.749.460	23.776.174	1.472.204	25.248.378
4.3 Checks Received for Collection		986.877	44.717	1.031.594	1.053.137	66.521	1.119.658
4.4 Commercial Notes Received for Collection		135.377	-	135.377	134.247	-	134.247
4.5 Other Assets Received for Collection		-	7.766	7.766	-	9.613	9.613
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		25.896.322	104.170	26.000.492	19.332.899	88.738	19.421.637
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		9.697.813	12.707.876	22.405.689	12.294.107	13.802.990	26.097.097
5.1 Marketable Securities		71.915	1.051	72.966	665.475	1.328	666.803
5.2 Guarantee Notes		185.396	398.424	583.820	220.950	644.988	865.938
5.3 Commodity		240	467	707	240	7.743	7.983
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable Properties		5.389.269	3.143.056	8.532.325	6.060.167	3.197.090	9.257.257
5.6 Other Pledged Items		4.050.993	9.164.878	13.215.871	5.347.275	9.951.841	15.299.116
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		6.607.711	43.868.525	50.476.236	7.054.604	48.098.661	55.153.265
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		113.756.701	132.029.390	245.786.091	85.787.576	113.347.980	199.135.556

The accompanying explanations and notes set out on pages 14 to 80 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. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED
30 JUNE 2017 AND 30 JUNE 2016**

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

III. STATEMENT OF INCOME		Note (Section Five IV)	Reviewed			
			Current Period (01.01.2017 – 30.06.2017)	Prior Period (01.01.2016 – 30.06.2016)	Current Period (01.04.2017 – 30.06.2017)	Prior Period (01.04.2016 – 30.06.2016)
I.	INTEREST INCOME	(IV-a)	1.033.855	1.067.510	561.369	508.471
1.1	Interest Income on Loans	(IV-a-1)	762.790	959.991	393.945	462.636
1.2	Interest Received from Reserve Requirements		11.384	7.530	5.539	3.611
1.3	Interest Received from Banks	(IV-a-2)	95.450	6.543	92.000	2.897
1.4	Interest Received from Money Market Transactions		86.962	4.303	33.645	1.022
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	75.817	86.934	35.527	37.174
1.5.1	Trading Financial Assets		6.286	43.369	1.563	15.433
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1.5.3	Available-for-sale Financial Assets		69.531	43.565	33.964	21.741
1.5.4	Held to Maturity Investments		-	-	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		1.452	2.209	713	1.131
II.	INTEREST EXPENSE	(IV-b)	419.765	582.394	198.987	275.976
2.1	Interest Expense on Deposits	(IV-b-4)	283.115	417.574	139.354	195.683
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	111.692	127.156	56.630	62.238
2.3	Interest Expense on Money Market Transactions		18.247	27.785	793	13.706
2.4	Interest on Securities Issued	(IV-b-3)	-	-	-	-
2.5	Other Interest Expenses		6.711	9.879	2.210	4.349
III.	NET INTEREST INCOME/EXPENSE (I + II)		614.090	485.116	362.382	232.495
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		198.956	221.787	98.949	106.144
4.1	Fees and Commissions Received		218.915	242.592	108.049	116.381
4.1.1	Non-Cash Loans		10.629	10.114	5.006	5.338
4.1.2	Other	(IV-1)	208.286	232.478	103.043	111.043
4.2	Fees and Commissions Paid		19.959	20.805	9.100	10.237
4.2.1	Non-Cash Loans		394	338	192	193
4.2.2	Other		19.565	20.467	8.908	10.044
V.	DIVIDEND INCOME	(IV-c)	2.684	-	-	-
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	(191.152)	65.983	(157.036)	38.726
6.1	Trading Gains/(Losses) on Securities		10.502	40.362	9.887	26.590
6.2	Derivative Financial Transactions Gains/(Losses)		(315.796)	(39.852)	(401.269)	(4.754)
6.3	Foreign Exchange Gains/(Losses)		114.142	65.473	234.346	16.890
VII.	OTHER OPERATING INCOME	(IV-e)	155.678	186.015	50.383	122.158
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		780.256	958.901	354.678	499.523
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	218.554	316.331	73.971	100.741
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	494.888	672.911	240.563	352.312
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		66.814	(30.341)	40.144	46.470
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES		-	-	-	-
XIII.	CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-	-	-
XV.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)	(IV-h)	66.814	(30.341)	40.144	46.470
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-i)	(3.493)	(7.434)	(354)	(4.244)
16.1	Current Tax Provision		(3.307)	(4.426)	(353)	(2.073)
16.2	Deferred Tax Provision		(186)	(3.008)	(1)	(2.171)
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(IV-j)	63.321	(37.775)	39.790	42.226
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1	Income from Non-Current Assets Held for Resale		-	-	-	-
	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
18.2	Other Income From Discontinued Operations		-	-	-	-
18.3	Other Income From Discontinued Operations		-	-	-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1	Expenses for Non-Current Assets Held for Resale		-	-	-	-
	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
19.2	Other Expenses From Discontinued Operations		-	-	-	-
19.3	Other Expenses From Discontinued Operations		-	-	-	-
XX.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
21.1	Current Tax Provision		-	-	-	-
21.2	Deferred Tax Provision		-	-	-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(IV-k)	63.321	(37.775)	39.790	42.226
23.1	Group's Profit/Loss (-)		63.321	(37.775)	39.790	42.226
23.2	Minority Shares Profit/Loss (-)		-	-	-	-
	Earnings/Loss per Share (The amounts are expressed in full TL)		0,000971	(0,000579)	0,000610	0,000647

The accompanying explanations and notes set out on pages 14 to 80 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER
SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED
30 JUNE 2017 AND 31 JUNE 2016**

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY	Reviewed Current Period (30.06.2017)	Reviewed Prior Period (30.06.2016)
I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	4.960	12.694
II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)	2.099	(13.430)
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. THE EFFECT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(4.050)	(1.126)
IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES	(602)	372
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	2.407	(1.490)
XI. CURRENT YEAR PROFIT/LOSS	63.321	(37.775)
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	(2.234)	-
11.2 Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	1.157	(190)
11.3 Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4 Other	64.398	(37.585)
XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	65.728	(39.265)

The accompanying explanations and notes set out on pages 14 to 80 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
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HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2016

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																				
Reviewed 30 June 2016	Note	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operate.	Minority Shares Except Total Equity	Minority Shares	Total Equity	
I. Balances at the Beginning of the Period		652.290	-	-	-	199.603	-	1.915.065	251.567	(325.071)	-	16.138	-	-	7.439	-	2.717.031	-	2.717.031	
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Balance (I-II)		652.290	-	-	-	199.603	-	1.915.065	251.567	(325.071)	-	16.138	-	-	7.439	-	2.717.031	-	2.717.031	
Changes in the Period																				
IV. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	10.155	-	-	-	-	10.155	-	10.155	
VI. Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	(10.744)	-	(10.744)	-	(10.744)	
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(10.744)	-	(10.744)	-	(10.744)	
6.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Property and Equipment Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Intangible Fixed Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Changes due to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1 Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Paid in-Capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII. Other		-	-	-	-	-	-	-	(901)	-	-	-	-	-	-	-	(901)	-	(901)	
XIX. Current Year Income or Loss		-	-	-	-	-	-	-	-	(37.775)	-	-	-	-	-	-	(37.775)	-	(37.775)	
XX. Profit Distribution		-	-	-	-	3.319	-	(328.390)	-	325.071	-	-	-	-	-	-	-	-	-	
20.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2 Transfers to Reserves		-	-	-	-	3.319	-	(328.390)	-	325.071	-	-	-	-	-	-	-	-	-	
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the End of the Period (I+II+III+.....+XIX+XX)		652.290	-	-	-	202.922	-	1.586.675	250.666	(37.775)	-	26.293	-	-	(3.305)	-	2.677.766	-	2.677.766	

The accompanying explanations and notes set out on pages 14 to 80 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. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
Reviewed 30 June 2017	Note	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operate.	Minority Shares Except Total Equity	Minority Shares	Total Equity
I. Balances at the Beginning of the Period		652.290	-	-	-	202.922	-	1.586.675	247.017	(354.677)	-	(1.194)	-	-	4.435	-	2.337.468	-	2.337.468
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	3.968	-	-	-	-	3.968	-	3.968
IV. Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	1.679	-	1.679	-	1.679
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	1.679	-	1.679	-	1.679
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Valuation Differences due to Revaluation of Property and Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Valuation Differences due to Revaluation of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Paid in-Capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	(3.240)	-	-	-	-	-	-	-	(3.240)	-	(3.240)
XVII. Current Year Income or Loss		-	-	-	-	-	-	-	-	63.321	-	-	-	-	-	-	63.321	-	63.321
XVIII. Profit Distribution		-	-	-	-	(8.444)	-	(346.233)	-	354.677	-	-	-	-	-	-	-	-	-
18.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	(8.444)	-	(346.233)	-	354.677	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the End of the Period (I+II+III+...+XVI+XVII+XVIII)		652.290	-	-	-	194.478	-	1.240.442	243.777	63.321	-	2.774	-	-	6.114	-	2.403.196	-	2.403.196

The accompanying explanations and notes set out on pages 14 to 80 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. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED
30 JUNE 2017 AND 30 JUNE 2016**

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

VI.	STATEMENTS OF CASH FLOWS	Note (Section Five VI)	Reviewed Current Period (30.06.2017)	Reviewed Prior Period (30.06.2016)
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes In Operating Assets And Liabilities		675,366	689,516
1.1.1	Interest Received		1.123.749	1.152.633
1.1.2	Interest Paid		(461.467)	(626.153)
1.1.3	Dividend Received		2.684	-
1.1.4	Fees and Commissions Received		228.172	241.038
1.1.5	Other Income		119.041	185.983
1.1.6	Collections From Previously Written-Off Loans and Other Receivables		152.348	135.220
1.1.7	Payments to Personnel and Service Suppliers		(235.022)	(310.784)
1.1.8	Taxes Paid		(16.068)	(2.825)
1.1.9	Other		(238.071)	(85.596)
1.2	Changes in Operating Assets and Liabilities		1,270,507	(852,517)
1.2.1	Net (Increase)/Decrease in Trading Securities		(191.969)	265.760
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Banks		(1.972)	40
1.2.4	Net (Increase)/Decrease in Loans		(998.463)	2.430.837
1.2.5	Net (Increase)/Decrease in Other Assets		106.627	118.765
1.2.6	Net Increase/(Decrease) in Bank Deposits		5,018.656	442.009
1.2.7	Net Increase/(Decrease) in Other Deposits		(855.938)	(2,531.855)
1.2.8	Net Increase/(Decrease) in Funds Borrowed		(1,092.092)	(1,274.559)
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		(714.342)	(303.514)
I.	Net Cash Provided From Banking Operations		1,945,873	(163,001)
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided From Investing Activities		(27,328)	(413,916)
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries (Business Partnerships)		-	-
2.2	Cash Obtained From Disposal of Investments, Associates and Subsidiaries (Business Partnerships)		-	-
2.3	Purchases of Property and Equipment		(3,870)	(3,384)
2.4	Disposals of Property and Equipment		9,429	11,909
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(1,310,627)	(698,585)
2.6	Cash Obtained From Sale of Investments Available-for -Sale		1,258,574	280,723
2.7	Cash Paid for Purchase of Investment Securities		-	-
2.8	Cash Obtained From Sale of Investment Securities		-	-
2.9	Other		19,166	(4,579)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided From Financing Activities		-	-
3.1	Cash Obtained From Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Capital Instruments		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		3,538	(11,430)
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		1,922,083	(588,347)
VI.	Cash and Cash Equivalents at Beginning of the Period		5,678,748	4,998,718
VII.	Cash and Cash Equivalents at End of the Period		7,600,831	4,410,371

The accompanying explanations and notes set out on pages 14 to 80 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2017**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of interim reporting Turkish Accounting Standards 34 and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (all referred as “Reporting Standards”). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Group maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

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

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

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments will come into force as of 01 January 2018, which have been effective as of reporting date have no impact on the accounting policies, financial position and performance of the Group.

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

The accounting policies and valuation principles applied in the preparation of consolidated financial statements are determined and applied in accordance with the reporting standards. These accounting policies and valuation principles are explained in explanations on accounting policies section.

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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

c. Explanation for convenience translation into English:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which the complying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

The main sources of the Parent Bank are customer deposits and borrowings from abroad. The Parent Bank’s liquidity structure covers the financing of all liabilities at due date. This liquidity structure of the Group has been established by keeping sufficient cash and cash equivalents. The Parent Bank, diversify its funding sources and keeping cash and cash equivalent adequately for constitute the provider liquidity structure which matured liability affordability.

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

Various stress scenarios, liquidity, gap, and volatility analysis have been performed regarding the control, monitor and management of the market risks. The purpose of these analyses is to be prepared for the possible risks and to make quick decisions regarding the targeted profitability.

Analyses that are conducted related to determined risks are being tracked by committees such as the Asset-Liability Committee and the Market Risk Committee and value adding decisions are made. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank’s exchange rates. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”, except for foreign currency non-performing loans and other foreign currency denominated non monetary assets and liabilities.

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

The Group has no investments in associates as of 30 June 2017. HSBC Yatırım that is fully owned by the Bank, HSBC Portföy that is the subsidiary of HSBC Yatırım and HSBC Portföy that is the subsidiary of the HSBC Yatırım are taken into consolidation scope in accordance with the procedures listed in the “Communiqué related to the Regulation on the Preparation of the Financial Statements of the Banks” and the “Turkish Accounting Standard for Consolidated and Separate Financial Statements” (“TAS 27”) published in the Official Gazette No.26340 dated 8 November 2006.

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NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2017

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

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

In order to reduce the foreign exchange position risk the Group 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 Group conducts interest futures, interest swaps and forward interest rate agreements. According to TAS 39 the transactions which are classified as hedging or trading and recognised at fair value. The fair value of derivative instruments are recorded on the market value or discounted cash flow value is taken in the account. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Financial assets at fair value through profit or loss” in “Trading derivative financial assets” or “Hedging derivative financial assets” and if the fair value difference is negative, it is disclosed in “Trading derivative financial liabilities” or “Hedging derivative financial liabilities”. The fair value changes of the trading derivatives are recognized under “Derivative financial transactions gains/(losses)” at income statement. The Parent Bank applies cash flow hedge accounting by cross currency swap transactions in order to hedge itself from the changes in the interest rates of the fixed-rate time deposits which have maturity of 1-3 month. While the effective portions are accounted under hedging reserves in shareholders’ equity as described in TAS 39, the ineffective portion is recognized at income statement.

If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. Fair value adjustments are recognized directly in the income statement in an event of repayment and/or unwinding and/or derecognition of the hedged item. As of 30 June 2017, hedge accounting is not applied.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognised on an accrual basis using the effective interest rate method. In accordance with the related regulation, realized and unrealized interest accruals of the non performing loans are reversed. The interest income related to these loans are recorded as interest income only when collected.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

All fees and commission income/expenses are recognised on an accrual basis in accordance with the matching principle or “Effective Rate Method (Internal Rate of Return Method)”, except for certain commission income and fees for various banking services which are recorded as income at the time of collection. Contract based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third party or legal person are recognised as income at the time of collection.

VII. EXPLANATIONS ON FINANCIAL ASSETS

The Group categorizes its financial assets as “Fair value through profit/loss”, “Available-for-sale”, “Loans and receivables” and “Held-to-maturity”. The appropriate classification of financial assets of the Group is determined at trade dates.

a. Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss consist of trading financial assets and financial assets at fair value through profit or loss. They are initially recognised at cost and subsequently re-measured at their fair value. While determining the fair value, the weighted average price comprising in the active market is used and the gains and losses generated is recognized in the income statement.

Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV of Section Three.

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets available-for-sale:

Available-for-sale financial assets are defined as financial assets other than the ones classified as “Loans and receivables”, “Held-to-maturity assets” or “Financial asset at fair value through profit or loss”. Financial assets available for sale are measured at fair value. Unrealized gains and losses arising from the changes in the fair value of financial assets available for sale with fixed maturity and certain cash flow are recognised at “Marketable Securities Valuation Differences” under the shareholders’ equity. The interest income which is calculated with the effective interest rate method is recognised in the income statement. When these securities are disposed of, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value and mentioned valuation differences are recognised at “Marketable Securities Valuation Differences”. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

c. Loans and receivables:

Financial assets that are originated by the Group by providing money, services or goods to borrowers are categorized as loans and receivables. Loans and receivables originated by the Group are recognised at the amortised cost value calculated using the effective interest rate method.

The Group makes risk assessment for the loans and receivables on the consumer and portfolio basis and provides specific provisions for the non performing loans not less than the determined minimum rates according to the (“Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”) published in the Official Gazette dated 1 November 2006 and numbered 26333. In addition to the non-performing loans, the Group provides general loan loss provisions for the loans and receivables which are defined in the same communiqué. The interests and accruals of the non-performing loans are derecognised from the financial statement and provision expense is recognized in the income statement . Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

d. Investment securities held-to-maturity:

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially recognised at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognised in the income statement. As of 30 June 2017 and 31 December 2016, the Group has no investment securities held-to-maturity.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

In each balance sheet date, the Group assesses if there is an objective evidence of the impairment of financial assets or financial asset groups. If such an indicator exists, the Group will perform the calculations. Impairment loss incurs if and only if, there is an objective evidence that the expected future cash flows of financial assets of group of financial assets are adversely affected by an event (“loss event”) incurred subsequent to recognition. In case the loans could not be collected; loans and other receivables are classified in order to provide specific and general provisions in accordance with the Communiqué on “Regulation on the Principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions Shall be Set Aside by Banks and to the Provisions to be Set Aside” published in the Official Gazette No. 26333 dated 1 November 2006 and these provisions are changed against the income for the year.

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IX. 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 recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis.

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

Securities subject to repurchase agreements are classified as “Financial assets at fair value difference through profit or loss” and “Available-for-sale securities” in the balance sheet according to the investment purposes and measured according to the portfolio of the Group to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. As of 30 June 2017 and 31 December 2016, funds given against securities purchased under agreements to resell (“Reverse repurchase agreements”) are accounted under “Receivables from money market - Receivables from reverse repurchase agreements” 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 Group has no securities lending transactions. “Transactions Related to Foreign Currency Deposits in Turkish Lira Deposits” published by the Central Bank of the Republic of Turkey as of 17 January 2017 are recorded in the balance sheet under cash assets and deposit accounts.

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

The Group signed the share transfer agreement regarding to the Board of directors decision on selling all banking activities of Cyprus Branches of HSBC Bank A.Ş and initiated the required legal process. Non-financial assets of the branches were recognized in accordance with the TFRS 5 and financial assets were recognized in accordance with TAS 39 (Non-financial and financial assets of the branches were recognized in accordance with TFRS 5 and TAS 39, respectively.). Operations regarding to these branches are classified as ongoing activities in 30 June 2017 financial statement and consolidated under the financial statement of assets and liabilities of the branches. Summary financial information related to branches is presented under explanations and notes related to assets.

As of 30 June 2017 and 31 December 2016, the Group has no discontinued operations Property and equipment held-for-sale consist of tangible assets that were acquired due to nonperforming receivables, and are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovable and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated November 2006, No. 26333 and classified as assets held for sale.

XII. 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.

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

The Parent Bank purchased Benkar Tüketici Finansmanı A.Ş. in the year 2002. The useful life of the goodwill arising out of the merger of Benkar with the Bank on 26 December 2002 is determined as 10 years. Therefore, it is amortised until the end of October 2006 using the straight-line method. Regarding Article 4 of the “Communiqué on Principles and Procedure of Accounting Principles of Banks and Preservation of Documents” which was published by BRSA in the Official Gazette No. 26333 dated 1 November 2006, the Bank’s financial statements are prepared based on the Turkish Accounting Standards. Goodwill is tested annually or more frequently if the changes in environment indicates impairment, in line with “Turkish Accounting Standard for Impairment on Assets” (“TAS 36”). As of 30 June 2017, there is no net book value of goodwill (31 December 2016: None).

XIII. 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 recognised 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 31 December 2004 are recognised with their purchase cost in the financial statements. Property and equipment are amortised by using the straight line method based on their useful lives, such as buildings depreciated at rate 2%, transportation vehicles at rates 15% - 20%, furnitures at rate 20%, 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 recognised as expenses. There are no mortgages, pledges or similar precautionary measures on tangible fixed assets.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under finance lease agreements are capitalized in accordance with “Leases Standard” (“TAS 17”) at the inception of the lease at the “Lower of the fair value of the leased asset or the present value of the lease instalments to be paid for the leased asset”. 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 recognised. Liabilities arising from the leasing transactions are included in “Finance 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”. Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

XV. 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.

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XVI. 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 recognised 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 consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements of the period in which the change occurs.

XVII. 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 provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Group arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 2,78% (31 December 2016: 3,93%).

As of 30 June 2017, actuarial loss amounted to TL 28.916 (31 December 2016: TL 25.676 loss) is recognized under other income reserves in the financial statements.

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

XVIII. EXPLANATIONS ON TAXATION

a. Current Tax:

According to the article no. 32 of “Corporate Tax Law” No. 5520 was published in the Official Gazette, No. 26205 dated 21 June 2006, the corporate tax rate is 20%. Corporate tax is calculated on the total income of the Group after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

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

The prepaid taxes are calculated and paid at the rates valid for the corporate tax rate of the related years. Advance tax paid by corporations which is for the current period can be credited against the annual corporation tax calculated on their annual corporate income in the following year. Companies file their tax returns until the 25th day of the fourth month after the closing of the accounting year to which they relate.

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

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XVIII. EXPLANATIONS ON TAXATION (Continued)

The tax applications for foreign branches;

Turkish Republic of Northern Cyprus (“TRNC”)

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next seventeen days following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal instalments in May and October.

b. Deferred Tax Asset/Liability:

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

Based on its best projections and budget and within the framework of TAS 12’s relevant procedures, the Parent Bank has limited its deferred tax assets with its deferred tax liabilities. The Parent Bank has not recognized deferred tax receivables amounting to TL 135.519 as assets as of 30 June 2017 (31 December 2016: TL 151.679). Aforementioned assesment will be reevaluated and reperformed on every following reporting date.

Various operations and calculations with unascertained effects on final tax amount occur during standard workflow, which require important judgement in determining income tax provision. 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.

c. Transfer Pricing:

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

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XIX. 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 counter buying exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the consolidated financial statements. As of 30 June 2017 and 31 December 2016, the Group has no marketable securities issued and convertible bonds.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 30 June 2017 and 31 December 2016, the Group has no issued share certificates.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 30 June 2017 and 31 December 2016, the Group has no government incentives.

XXIII. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

XXIV. 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.

XXV. EARNINGS/LOSS PER SHARE

Loss per share disclosed in the income statement are calculated by dividing net loss for the year to the number of shares.

	Current Period 30 June 2017	Prior Period 30 June 2016
Net Profit / (Loss) for the Period	63.321	(37.775)
Number of Shares	65.229.000.000	65.229.000.000
Earnings / (Loss) per Share (*)	0,000971	(0,000579)

(*) Amounts are expressed in full TL.

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XXVI. CASH AND CASH EQUIVALENTS

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

XXVII. RELATED PARTIES

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

XXVIII. RECLASSIFICATIONS

There are no adjustments to the prior year consolidated financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 30 June 2017 and 31 December 2016 financials.

XXIX. OTHER MATTERS

None.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

Equity and Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", and "Communiqué on Equities of Banks". As of 30 June 2017, equity of the Group and the Parent Bank is amounting to TL 3.899.018 (31 December 2016: TL 4.305.490) and TL 3.869.704 (31 December 2016: TL 4.246.289) respectively, and capital adequacy ratio of the Group and the Parent Bank is 19,16% (31 December 2016: 20,58%) and 19,11% (31 December 2016: 20,38%) respectively. Capital adequacy ratio of the Parent Bank is higher than the minimum rate required by the related regulations.

a. Information about shareholders' equity items:

	Current Period 30 June 2017	Amount as per the regulation before 1.1.2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	1.707.613	
Other Comprehensive Income according to TAS	1.651	
Profit	63.321	
Current Period Profit	63.321	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Shares	-	
Common Equity Tier I Capital Before Deductions	2.424.875	
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	28.916	
Leasehold Improvements on Operational Leases	6.540	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	107.969	134.961
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
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	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier I Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
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 common share capital of the entity (amount above 10% threshold)	-	
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	143.425	
Total Common Equity Tier I Capital	2.281.450	

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

	Current Period 30 June 2017	Amount as per the regulation before 1.1.2014 (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties’ share in the Additional Tier I capital	-	
Third parties’ share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	26.992	
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	26.992	
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	2.254.458	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.457.363	
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 (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	205.826	
Total Deductions from Tier II Capital	1.663.189	
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 (-)	155	
Total Deductions from Tier II Capital	155	
Total Tier II Capital	1.663.034	
Total Equity (Total Tier I and Tier II Capital)	3.917.492	
Amounts Deducteed from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be Defined by the BRSA	18.474	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	

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

	Current Period 30 June 2017	Amount as per the regulation before 1.1.2014 (*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	3.899.018	
Total Risk Weighted Assets	20.352.339	
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	11,21	
Consolidated Tier I Capital Ratio (%)	11,08	
Consolidated Capital Adequacy Ratio (%)	19,16	
BUFFERS		
Bank-specific total CET1 Capital Ratio (%)	5,75	
Capital Conservation Buffer Ratio (%)	1,25	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,00	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6,08	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	459.896	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	205.826	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

(*) Amounts to be recognized under transition regulations.

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	Prior Period 31 December 2016	Amount as per the regulation before 1.1.2014 (*)
TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Legal Reserves	1.707.613	
Other Comprehensive Income according to TAS	-	
Profit	-	
Net Current Period Profit	-	
Prior Period Profit	-	
Provisions for Possible Losses	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	
Minority Shares	2.359.903	
Tier I Capital Before Deductions		
Deductions From 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	27.993	
Leasehold Improvements on Operational Leases (-)	6.613	
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	75.521	125.868
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
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	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
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 (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
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 not deducted from Tier I Capital	-	
Mortgage Servicing Rights not deducted	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA (-)	-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deduction (-)	-	
Total regulatory adjustments to Tier I capital	110.127	
Tier I capital	2.249.776	

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	Prior Period 31 December 2016	Amount as per the regulation before 1.1.2014 (*)
ADDITIONAL CORE CAPITAL		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-	-
Third parties' share in the Additional Tier I capital	-	-
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	-
Additional Core Capital before Deductions	-	-
Deductions from Additional Core Capital		
Direct and Indirect Investments of the Bank on its own Additional Core Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be Defined by the BRSA	-	-
Deductions from Core Capital		
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 (-)	50.347	-
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 (-)	-	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-	-
Total Deductions from Additional Core Capital	50.347	-
Total Additional Core Capital	-	-
Total Core Capital (Total Capital = Core Capital + Additional Core Capital)	2.199.429	-
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	1.905.804	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued Or Obtained before 1.1.2014)	-	-
Third parties' share in the Additional Tier II capital	-	-
Third parties' share in the Additional Tier II capital (Temporary Article 3)	-	-
General Provisions	210.568	-
Tier II Capital before Deductions	2.116.372	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's Tier II and components of equity issued by financial institutions with the conditions declared in Article 8	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be Defined by the BRSA (-)	214	-
Total Deductions from Tier II Capital	214	-
Total Tier II Capital	2.116.158	-
Total Equity (Total Tier I and Tier II Capital)	4.315.587	-
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	5	-
Net Book Values of Movables and Immovable 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	146	-
Other items to be Defined by the BRSA	9.946	-
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 Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-

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

	Prior Period 31 December 2016	Amount as per the regulation before 1.1.2014 (*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.305.490	
Total Risk Weighted Assets	20.918.968	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	10,75	
Tier I Capital Ratio (%)	10,51	
Capital Adequacy Ratio (%)	20,58	
BUFFERS		
Bank-specific total CET1 Capital Ratio	5,13	
Capital Conservation Buffer Ratio (%)	0,63	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	5,64	
Amounts Lower Than Excesses as per 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 tenthousandtwentyfive limitation)	481.729	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	210.568	
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 subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

(*) Amounts to be recognized under transition regulations

b. Items included in consolidated capital calculation:

None.

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.

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

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

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 determined by the Board of Directors:

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

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

The Group, as a general principle does not carry any foreign currency position by hedging its foreign currency positions with derivative products. Foreign exchange bid rate of important foreign currencies are indicated in the table below

c. Management policy for foreign currency risk:

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

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IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

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

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

Current Period – 30 June 2017	USD (\$)	Euro (€)
Balance Sheet Date		
Parent Bank’s Evaluation Rate	3,5202	4,0197
Before Balance Sheet Date		
29 June 2017	3,5210	4,0139
28 June 2017	3,5185	3,9991
27 June 2017	3,5070	3,9261
26 June 2017	3,5070	3,9261
23 June 2017	3,5070	3,9261

Prior Period – 31 December 2016	USD (\$)	Euro (€)
Balance Sheet Date		
Parent Bank’s Evaluation Rate	3,5263	3,7161
Before Balance Sheet Date		
30 December 2016	3,5263	3,7161
29 December 2016	3,5313	3,6926
28 December 2016	3,5435	3,6821
27 December 2016	3,5130	3,6702
26 December 2016	3,5130	3,6702

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

As of June 2017, the Parent Bank’s simple arithmetic average foreign exchange rate for USD is TL 3,5198 (December 2016: TL 3,5018) and exchange rate for Euro is TL 3,9505 (December 2016: TL 3,6881).

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IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

f. Information related to Group's currency risk:

Current Period – 30 June 2017	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 Turkey	541.061	1.049.681	283.042	1.873.784
Banks	33.592	128.037	28.229	189.858
Financial Assets at Fair Value through Profit or Loss (Net)	161.646	345.072	6.443	513.161
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale (Net)	3.395	-	-	3.395
Loans (*)	2.861.939	2.454.223	6.854	5.323.016
Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)	-	-	-	-
Investments Held-to-Maturity (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	173.562	10.382	2.641	186.585
Total Assets	3.775.195	3.987.395	327.209	8.089.799
Liabilities				
Bank Deposits	-	4.840.320	-	4.840.320
Foreign Currency Deposits	2.621.602	6.173.999	1.043.775	9.839.376
Funds from Interbank Money Market	-	-	-	-
Funds Borrowed	337	2.418.093	898	2.419.328
Miscellaneous Payables	183	3.271	208	3.662
Issued Marketable Securities (Net)	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	302.473	194.784	14.861	512.118
Total Liabilities	2.924.595	13.630.467	1.059.742	17.614.804
Net on Balance Sheet Position	850.600	(9.643.072)	(732.533)	(9.525.005)
Net Off-Balance Sheet Position	(1.018.212)	9.840.351	758.605	9.580.744
Financial Derivative Assets	14.587.182	24.971.465	1.396.441	40.955.088
Financial Derivative Liabilities	15.605.394	15.131.114	637.836	31.374.344
Non-cash Loans	566.175	773.688	109.635	1.449.498
Prior Period - 31 December 2016				
Total Assets	3.514.009	8.741.175	402.483	12.657.667
Total Liabilities	3.439.833	9.415.232	1.065.968	13.921.033
Net on-Balance Sheet Position	74.176	(674.057)	(663.485)	(1.263.366)
Net off-Balance Sheet Position	(173.984)	488.176	655.357	969.549
Financial Derivative Assets	5.470.827	7.841.499	1.067.640	14.379.966
Financial Derivative Liabilities	5.644.811	7.353.323	412.283	13.410.417
Non-cash Loans	714.430	996.878	110.504	1.821.812

(*) As of 30 June 2017, total loans amount consists foreign indexed loans amounting to TL 1.304.856 (31 December 2016: TL 1.485.916).

(**) As of 30 June 2017, other assets do not consist of prepaid expenses amounting to TL 3.229 (31 December 2016: TL 47).

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V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

There is a short term interest sensitivity gap at the balance sheet of the 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 June 2017	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 Turkey	6.112.367	-	-	-	-	710.574	6.822.941
Banks	404.275	18.653	-	-	-	138.299	561.227
Financial Assets at Fair Value Through Profit or Loss (Net)	157.398	223.745	265.363	290.776	8.848	3.602	949.732
Interbank Money Market Placements	1.390.466	-	-	-	-	-	1.390.466
Financial Assets Available-for-Sale (Net)	-	257.454	308.408	690.186	71.166	8.962	1.336.176
Loans (*)	6.658.033	550.242	3.477.061	3.271.399	901.362	359.526	15.217.623
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	1.299	-	4.946	26.860	-	474.103	507.208
Total Assets	14.723.838	1.050.094	4.055.778	4.279.221	981.376	1.695.066	26.785.373
Liabilities							
Bank Deposits	5.130.763	-	-	-	-	65.880	5.196.643
Other Deposits	9.065.202	1.983.423	171.941	732	-	2.906.678	14.127.976
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	182.084	43.103	38.757	713	-	206	264.863
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	920.729	352.980	1.329.118	570.357	-	11.808	3.184.992
Other Liabilities (**)	159.925	78.942	254.502	585.258	226	2.932.046	4.010.899
Total Liabilities	15.458.703	2.458.448	1.794.318	1.157.060	226	5.916.618	26.785.373
Balance Sheet Long Position	-	-	2.261.460	3.122.161	981.150	-	6.364.771
Balance Sheet Short Position	(734.865)	(1.408.354)	-	-	-	(4.221.552)	(6.364.771)
Off Balance Sheet Long Position	8.758	20.595	3.405	42.796	-	-	75.554
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(726.107)	(1.387.759)	2.264.865	3.164.957	981.150	(4.221.552)	75.554

(*) Loans consist of factoring transactions amounting to TL 501.377 (31 December 2016: TL 476.308).

(**) Shareholders' equity is presented under "Other Liabilities" item in "Non- Interest Bearing".

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V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period - 31 December 2016	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 Turkey	1.233.919	-	-	-	-	535.001	1.768.920
Banks	802.822	-	-	-	-	157.015	959.837
Financial Assets at Fair Value Through Profit or Loss (Net)	142.037	276.297	371.654	201.784	5.638	8.407	1.005.817
Interbank Money Market Placements	4.372.998	-	-	-	-	-	4.372.998
Financial Assets Available-for-Sale (Net)	-	320.306	397.132	530.243	8.788	8.002	1.264.471
Loans (*)	6.116.811	690.428	2.251.159	4.262.436	863.406	449.628	14.633.868
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	41.045	28.409	-	2.136	-	332.409	403.999
Total Assets	12.709.632	1.315.440	3.019.945	4.996.599	877.832	1.490.462	24.409.910
Liabilities							
Bank Deposits	44.488	-	-	-	-	123.171	167.659
Other Deposits	10.486.157	1.174.485	190.529	256	-	3.102.986	14.954.413
Funds from Interbank Money Market	531.938	-	-	-	-	-	531.938
Miscellaneous Payables	-	-	-	-	-	344.213	344.213
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	2.514.000	1.593.155	3.516	211.121	-	3.171	4.324.963
Other Liabilities (**)	78.125	142.145	269.401	785.884	546	2.810.623	4.086.724
Total Liabilities	13.654.708	2.909.785	463.446	997.261	546	6.384.164	24.409.910
Balance Sheet Long Position	-	-	2.556.499	3.999.338	877.286	-	7.433.123
Balance Sheet Short Position	(945.076)	(1.594.345)	-	-	-	(4.893.702)	(7.433.123)
Off Balance Sheet Long Position	107.330	190.020	68.378	-	-	-	365.728
Off Balance Sheet Short Position	-	-	-	(9.500)	-	-	(9.500)
Total Position	(837.746)	(1.404.325)	2.624.877	3.989.838	877.286	(4.893.702)	356.228

(*) Loans consist of factoring transactions amounting to TL 476.308.

(**) Shareholders' equity is presented under "Other Liabilities" item in "Non-Interest Bearing".

b. Effective average interest rates for monetary financial instruments:

Current Period – 30 June 2017	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 Turkey	-	1,25	-	12,24
Banks	0,25	1,14	-	11,73
Financial Assets at Fair Value Through Profit or Loss (Net)	5,72	6,47	-	6,94
Interbank Money Market Placements	-	-	-	12,25
Financial Assets Available-for-Sale (Net)	-	-	-	8,95
Loans	4,11	4,60	-	13,78
Liabilities				
Bank Deposits	-	1,25	-	9,65
Other Deposits	1,61	2,25	1,40	10,46
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed	1,50	5,20	-	14,01

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V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period – 31 December 2016	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 Turkey	-	0,75	-	3,31
Banks	-	1,07	-	10,60
Financial Assets at Fair Value Through Profit or Loss (Net)	5,16	7,21	-	7,42
Interbank Money Market Placements	-	0,81	-	-
Financial Assets Available-for-Sale (Net)	-	-	-	9,29
Loans	3,93	4,47	-	15,04
Liabilities				
Bank Deposits	-	-	-	3,94
Other Deposits	1,45	1,67	1,40	9,50
Funds From Interbank Money Market	-	-	-	8,14
Funds Borrowed	4,50	4,10	-	16,40

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

a. Position risk of equity securities in banking book

(i) Comparison of carrying, fair and market values of equity shares

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

(ii) Realised gains/losses, unrealised gains/losses on revaluation surpluses from equity securities and amounts included in core and supplementary capitals

None.

VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK

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 core funding instruments. Funds required must be available even under stressed conditions particular to the Bank and the Market

The Parent Bank’s short term liquidity is managed by the Balance Sheet Management associated Treasury function. The management of 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 inherent risk limits of liquidity. Within approved 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.

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

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

In addition to that, current and planned liquidity positions of bank is tracked at tactical ALCO meetings with the participation of business representatives at least on weekly basis and business line representatives are informed in order to be taken of necessary actions. The aim of these meetings is to ensure that the negative net cash flow of the bank liquidity will not occur and be managed in a way that will not lead to excess limits by comparing the current situation regarding to the balance sheet structure of business line with the approved limit usage of strategic funding plans and liquidity.

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

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

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

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

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

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

Consolidated liquidity measurement of the Parent Banks’ total liquidity and selected currencies for short and long terms is planned within the context of strategic funding plan. FC and total internal risk limits approved by BoD exists.

Information on liquidity risk mitigation techniques:

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

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

Explanation of the usage of stress test:

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

General Information on liquidity emergency and contingency plans:

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

a. Liquidity coverage rate:

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

Liquidity coverage rate is calculated by dividing high quality liquid assets that bank owns to net cash outflows with maturity of 1 month. Reserve requirements kept by CBRT, reverse repurchase agreements, securities that are not subject to repurchase/collateral held for providing liquidity, corporate and bank deposits that may cause high cash outflows, non-deposit borrowings that are became due and receivables from banks form the most important components to affect the results of liquidity coverage rate because of being liquid assets, having high volume in net cash outflows and having high rate of consideration.

Since the internal liquidity limits of the Parent Bank is more conservative compared to liquidity coverage rate, bank liquidity coverage rate is greater than legal and internal limits. The ratio may fluctuate periodically due to reasons listed below;

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

Explanation regarding the components of high quality liquid assets:

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

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

Components density of fund resources in all funds:

The Parent Bank’s funding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for funding consists 72% of total liabilities.

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

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

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

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

Exposed liquidity risk in the need of funding based on the bank itself, foreign brances and consolidated subsidiaries while considering operational and legal factors hampering liquidity transfer:

Liquidity risks of the Parent Bank’s foreign brances are managed in compliance with the regulations of related country.

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

Current Period – 30.06.2017	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			4.834.289	1.676.314
Cash Outflows				
Real person and retail deposits	10.771.057	7.610.937	889.233	669.843
Stable deposits	3.757.451	1.825.016	187.873	91.251
Less stable deposits	7.013.606	5.785.921	701.360	578.592
Unsecured debts other than real person and retail deposits	3.949.590	4.749.061	2.052.101	1.934.733
Operational deposits	87.353	-	4.368	-
Non-operational deposits	590.191	168.336	457.423	73.015
Other unsecured debts	3.272.046	4.580.725	1.590.310	1.861.718
Secured debts	-	-	-	-
Other cash outflows	543.017	2.171.465	543.017	2.171.465
Derivative liabilities and collateral completion liabilities	543.017	2.171.465	543.017	2.171.465
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	6.905.732	328.723	698.623	105.950
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			4.182.973	4.881.992
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	3.263.281	461.133	1.970.914	414.049
Other cash inflows	209.322	8.744.200	209.322	8.744.200
TOTAL CASH INFLOWS	3.472.603	9.205.333	2.180.236	9.158.249
				Values to which the upper limit is applied
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			4.834.289	1.676.314
TOTAL NET CASH OUTFLOWS			2.002.737	1.220.498
LIQUIDITY COVERAGE RATIO (%)			241,38	137,35

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

Table below represents lowest, highest and average liquidity coverage rates for the last three month period of 2017.

	Current Period - 30.06.2017	
	TL+FC	FC
Highest (%)	245,45	152,67
Date	02.05.2017	02.05.2017
Lowest (%)	234,88	123,39
Date	03.04.2017	01.06.2017
Average (%)	241,38	137,35

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

Prior Period – 31.12.2016	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			5.634.288	3.039.004
Cash Outflows				
Real person and retail deposits	11.148.748	6.344.623	903.871	556.456
Stable deposits	4.220.082	1.560.123	211.004	78.006
Less stable deposits	6.928.666	4.784.500	692.867	478.450
Unsecured debts other than real person and retail deposits	7.038.220	2.659.128	4.741.682	1.396.234
Operational deposits	144.220	-	7.211	-
Non-operational deposits	2.486.139	566.070	2.324.453	456.106
Other unsecured debts	4.407.861	2.093.058	2.410.018	940.128
Secured debts				
Other cash outflows	36.002	1.635.995	36.002	1.635.995
Derivative liabilities and collateral completion liabilities	36.002	1.635.995	36.002	1.635.995
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	4.665.288	305.556	233.264	15.278
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	885.516	83.598	265.655	25.079
TOTAL CASH OUTFLOWS			6.180.474	3.629.042
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.720.226	2.809.280	3.710.664	2.681.534
Other cash inflows	236.592	1.145.040	236.592	1.145.040
TOTAL CASH INFLOWS	4.956.818	3.954.320	3.947.256	3.826.574
				Values to which the upper limit is applied
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			5.634.288	3.039.004
TOTAL NET CASH OUTFLOWS			2.233.218	907.261
LIQUIDITY COVERAGE RATIO (%)			252,29	334,96

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

Table below represents lowest, highest and average consolidated liquidity coverage rates by taking their simple averages for the last three month period of 2016.

	Prior Period - 31.12.2016	
	TL+FC	FC
Highest (%)	362,85	563,37
Date	01.12.2016	01.12.2016
Lowest (%)	169,87	153,35
Date	01.11.2016	03.10.2016
Average (%)	252,29	334,96

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

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

Current Period – 30 June 2017	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	710.574	6.112.367	-	-	-	-	-	6.822.941
Banks	125.167	404.274	18.653	-	-	-	13.133	561.227
Financial Assets at Fair Value through Profit or Loss (Net)	3.602	96.197	65.326	214.506	529.737	40.364	-	949.732
Interbank Money Market Placements	-	1.390.466	-	-	-	-	-	1.390.466
Financial Assets Available-for-Sale (Net)	-	-	257.454	308.408	690.186	71.166	8.962	1.336.176
Loans (*)	-	5.165.371	1.977.161	3.623.042	3.192.689	899.834	359.526	15.217.623
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets (**)	-	1.299	-	4.946	26.860	-	474.103	507.208
Total Assets	839.343	13.169.974	2.318.594	4.150.902	4.439.472	1.011.364	855.724	26.785.373
Liabilities								
Bank Deposits	65.880	5.130.763	-	-	-	-	-	5.196.643
Other Deposits	2.906.678	9.065.202	1.983.423	171.941	732	-	-	14.127.976
Funds Borrowed	11.808	38.723	335	195.301	1.452.378	1.486.447	-	3.184.992
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Funds from Interbank Money Market	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	182.084	43.103	38.757	713	-	206	264.863
Other Liabilities (***)	-	109.156	60.486	444.256	444.567	20.388	2.932.046	4.010.899
Total Liabilities	2.984.366	14.525.928	2.087.347	850.255	1.898.390	1.506.835	2.932.252	26.785.373
Net Liquidity Excess / (Gap)	(2.145.023)	(1.355.954)	231.247	3.300.647	2.541.082	(495.471)	(2.076.528)	-
Net Off Balance Sheet Position								
Derivative Financial Assets	-	44.531	35.575	17.270	78.636	-	-	176.012
Derivative Financial Liabilities	-	22.843.304	4.362.884	7.767.458	4.822.277	-	-	39.795.923
Non-cash Loans	847.638	-	-	-	-	1.467.422	-	2.315.060
Prior Period - 31 December 2016								
Total Assets	483.649	11.190.206	2.927.485	3.041.063	5.117.784	907.428	742.295	24.409.910
Total Liabilities	3.229.328	11.347.614	1.366.154	820.965	2.823.727	2.009.649	2.812.473	24.409.910
Net Liquidity Excess / (Gap)	(2.745.679)	(157.408)	1.561.331	2.220.098	2.294.057	(1.102.221)	(2.070.178)	-
Net Off Balance Sheet Position								
Derivative Financial Assets	-	46.809	31.092	171.498	160.308	-	-	409.707
Derivative Financial Liabilities	-	5.384.002	3.654.131	6.126.558	3.550.187	-	-	18.714.878
Non-cash Loans	876.962	-	-	-	-	1.773.438	-	2.650.400

(*) Loans include the factoring receivables amounting to TL 501.377 (31 December 2016: TL 476.308).

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

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

c. Information on securitisation positions:

None.

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VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

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

	Current Period (**)	Prior Period (**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*)	23.512.090	26.889.276
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	(2.697.133)	(137.787)
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(524.173)	(380.549)
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	1.510.034	3.537.114
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
Total risk amount	43.801.503	49.823.694

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

(**) Table represents three month average amounts.

	Current Period 30.06.2017 (*)	Prior Period 31.12.2016 (*)
Assets On the Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	24.786.553	23.968.493
(Assets deducted from core capital)	(112.576)	(83.286)
Total risk amount for assets on the balance sheet	24.673.977	23.885.207
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	596.173	875.210
Potential credit risk amount of derivative financial instruments and loan derivatives	524.173	380.549
Total risk amount of derivative financial instruments and loan derivatives	1.120.346	1.255.759
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	29.966	69.590
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	29.966	69.590
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	17.977.214	24.613.139
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	17.977.214	24.613.139
Capital and Total Risk		
Core capital	2.246.006	2.296.224
Total risk amount	43.801.503	49.823.695
Leverage Ratio		
Leverage Ratio (%)	5,13	4,61

(*) Table represents three month average amounts.

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IX. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following required tables have not been presented on 30 June 2017:

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

a. Explanations on Risk Management and Risk Weighted Amount:

1. Overview of Risk Weighted Amounts:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period 30 June 2017	Prior Period 31 December 2016	Current Period 30 June 2017
Credit risk (excluding counterparty credit risk) (CCR) (*)	15.456.439	15.926.335	1.236.515
Standardised approach (SA)	15.456.439	15.926.335	1.236.515
Internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	1.009.646	919.077	80.772
Standardised approach for counterparty credit risk (SA-CCR)	1.009.646	919.077	80.772
Internal model method (IMM)	-	-	-
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 (RBA)	-	-	-
IRB supervisory formula approach (SFA)	-	-	-
SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	797.875	736.575	63.830
Standardised approach (SA)	797.875	736.575	63.830
Internal model approaches (IMM)	-	-	-
Operational risk	3.088.379	3.336.981	247.070
Basic indicator approach	3.088.379	3.336.981	247.070
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
TOTAL	20.352.339	20.918.968	1.628.187

b. Credit Quality of Assets

Provisions for defaulted exposures made in accordance with related ratios after considering collaterals presented in "Comminique of Provision". There is no differences for the bank between the definitons of past due and provision made loans.

Current Period 30 June 2017	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Non-defaulted Exposures		
Loans	1.422.668	14.858.097	1.063.142	15.217.623
Debt Securities	-	1.619.783	117	1.619.666
Off-balance sheet exposure	797	16.178.083	188	16.178.692
Total	1.423.465	32.655.963	1.063.447	33.015.981

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

	Current Period 30 June 2017
I. Defaulted Loans and debt securities at prior period end	1,431.297
II. Loans and debt securities that have defaulted since the last reporting period	212.360
III. Returned to non-defaulted status	6.245
IV. Amounts written-off from asset	67.171
V. Other Changes	(146.776)
VI. Defaulted Loans and debt securities at current period end (I+II-III-IV±V)	1,423.465

d. Credit Risk Mitigation Techniques:

Current Period 30 June 2017	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	14.131.938	1.085.685	812.572	109.698	107.308	-	-
Debt Securities	1.619.666	-	-	-	-	-	-
Total	15.751.604	1.085.685	812.572	109.698	107.308	-	-
Defaulted	1.416.002	7.225	-	238	238	-	-

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

Current Period 30 June 2017	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		Risk Weighted Amount and Risk Weighted Amount Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amount	Risk Weighted Amount Density
Asset classes						
Exposures to central governments or central banks	8.270.424	6	8.270.424	1	454.831	5%
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	-	333	-	67	67	100%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	1.414.897	1.249.564	1.414.902	1.024.719	1.004.908	41%
Exposures to corporates	8.976.360	3.195.298	8.961.897	1.929.231	10.891.128	100%
Retail exposures	4.177.125	5.073.525	4.084.196	244.598	3.266.869	75%
Exposures secured by residential property	481.042	2.059	481.043	682	168.604	35%
Exposures secured by commercial real estate	243.209	9.313	243.209	3.808	123.509	50%
Past-due loans	373.819	-	373.581	-	395.757	106%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
Other assets	425.625	51.852	425.617	14.648	160.412	36%
Investment in equities	-	-	-	-	-	-
Total	24.362.501	9.581.950	24.254.869	3.217.754	16.466.085	60%

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

f. Standardised Approach-Exposures by asset classes and risk weights :

**Current Period
30 June 2017**

Asset Classes/ Risk Weight	0%	10%	20%	50% (secured by real estate)	75%	100%	150%	200%	35%	50%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
Exposures to central governments or central banks	7.815.594	-	-	-	-	454.831	-	-	-	-	-	8.270.425
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	67	-	-	-	-	-	67
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to International organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	1.105.834	-	-	233.615	40	-	-	1.100.132	-	2.439.621
Exposures to corporates	-	-	-	-	-	10.891.128	-	-	-	-	-	10.891.128
Retail exposures	-	-	-	-	4.252.652	73.668	2.474	-	-	-	-	4.328.794
Exposures secured by residential property	-	-	-	-	-	-	-	-	481.725	-	-	481.725
Exposures secured by commercial real estate	-	-	-	247.017	-	-	-	-	-	-	-	247.017
Past-due loans	-	-	-	-	-	177.215	120.359	-	-	76.007	-	373.581
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	279.412	-	550	-	-	160.303	-	-	-	-	-	440.265
Total	8.095.006	-	1.106.384	247.017	4.252.652	11.990.827	122.873	-	481.725	1.176.139	-	27.472.623

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period 30 June 2017	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardised Approach - CCR (For Derivatives)	657.267	631.251		1,4	1.288.518	784.038
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1.731	1.121
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					1.731	1.121
Total						785.159

g. Credit valuation adjustment (CVA) capital charge:

Current Period 30 June 2016	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge		
(i) VaR component (Including the 3 x multiplier)		
(ii) Stressed VaR component (Including the 3 x multiplier)		
All portfolios subject to the Standardised CVA capital charge	1.288.518	224.487
Total subject to the CVA capital charge	1.288.518	224.487

h. Standard Approach - Counterparty Credit Risk(CCR) Exposures by Regulatory Portfolio and Risk Weights:

Current Period 30 June 2017 Regulatory Portfolio / Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Exposures(*)
Exposures to central governments or central banks	-	-	-	-	-	-	-	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to International organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	627.345	6.428	-	26.735	-	-	660.508
Exposures to corporates	-	-	-	-	-	603.609	-	-	603.609
Retail exposures	-	-	-	-	-	26.131	-	-	26.131
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	627.345	6.428	-	656.475	-	-	1.290.248

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

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

i. Composition of collateral for CCR exposure:

Current Period 30 June 2017	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair Value of Collateral Received		Fair Value of Posted Collateral		Fair Value of Collateral Received	Fair Value of Posted Collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	1.390.467
Cash – other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	1.463.721	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	-	-	-	1.463.721	1.390.467

j. Standardised Approach Related to Market Risk:

Current Period 30 June 2017	Risk Weighted Amount
Outright Products	
Interest Rate Risk (general and specific)	457.089
Equity Risk (general and specific)	3.613
Foreign Exchange Risk	331.963
Commodity Risk	-
Options	
Simplified Approach	-
Delta-plus Method	5.210
Scenario Approach	-
Securitisation	-
Total	797.875

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

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”.

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

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”.

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XII. EXPLANATIONS ON OPERATING SEGMENTS

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Group’s Total Activities
Current Period – 30 June 2017					
Operating Income	400.547	249.266	130.443	-	780.256
Other	-	-	-	-	-
Operating Income	400.547	249.266	130.443	-	780.256
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(78.805)	97.553	84.360	(36.294)	66.814
Profit before Tax	(78.805)	97.553	84.360	(36.294)	66.814
Corporate Tax Provision (*)	-	-	-	(3.493)	(3.493)
Profit after Tax	(78.805)	97.553	84.360	(39.787)	63.321
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(78.805)	97.553	84.360	(39.787)	63.321
Segment Assets	4.870.380	11.901.611	10.013.112	-	26.785.103
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
Total Assets	4.870.380	11.901.611	10.013.112	270	26.785.373
Segment Liabilities	10.316.457	6.515.402	5.108.086	4.845.428	26.785.373
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	10.316.457	6.515.402	5.108.086	4.845.428	26.785.373
Other Segment Items	(245.599)	(3.481)	(1.855)	-	(250.935)
Capital Investment	-	-	-	-	-
Amortization	(14.381)	(3.481)	(1.855)	-	(19.717)
Impairment	-	-	-	-	-
Non-Cash Other Income-Expense (**)	(231.218)	-	-	-	(231.218)

(*) Corporate tax provision is not distributed.

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

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XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Group’s Total Other	Group’s Total Activities
Prior Period – 31 December 2016 (***)					
Operating Income	546.045	265.463	147.393	-	958.901
Other	-	-	-	-	-
Operating Income	546.045	265.463	147.393	-	958.901
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(159.059)	53.934	112.118	(37.334)	(30.341)
Profit before Tax	(159.059)	53.934	112.118	(37.334)	(30.341)
Corporate Tax Provision(*)	-	-	-	(7.434)	(7.434)
Profit after Tax	(159.059)	53.934	112.118	(44.768)	(37.775)
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(159.059)	53.934	112.118	(44.768)	(37.775)
Segment Assets	6.173.414	12.676.924	5.559.302	-	24.409.640
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
Total Assets	6.173.414	12.676.924	5.559.302	270	24.409.910
Segment Liabilities	11.743.513	8.150.144	81.301	4.434.952	24.409.910
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	11.743.513	8.150.144	81.301	4.434.952	24.409.910
Other Segment Items	(286.010)	(2.417)	(4.530)	-	(292.957)
Capital Investment	-	-	-	-	-
Amortization	(10.099)	(2.417)	(896)	-	(13.412)
Impairment	-	-	(3.634)	-	(3.634)
Non-Cash Other Income-Expense (**)	(275.911)	-	-	-	(275.911)

(*) Corporate tax provision is not distributed.

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

(***) Items of income and expense are the amounts for the period ended 30 June 2016.

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SECTION FIVE

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

1. Information on cash equivalents and the account of the CBRT:

	Current Period 30 June 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Cash/Foreign Currency	95.327	163.376	133.024	118.411
The CBRT	4.853.280	1.699.067	46.713	1.452.877
Other (*)	550	11.341	-	17.895
Total	4.949.157	1.873.784	179.737	1.589.183

(*) As of 30 June 2017, account of Precious Metal is amounting to TL 11.341 (31 December 2016: TL 17.895) and money in transit is amounting to TL 550 (31 December 2016: None).

2. Information related to the account of the CBRT:

	Current Period 30 June 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Unrestricted Demand Deposit	8.265	431.715	46.713	2.184
Unrestricted Time Deposits	4.845.015	99.183	-	-
Restricted Time Deposits	-	-	-	-
Reserve Requirements	-	1.168.169	-	1.450.693
Total	4.853.280	1.699.067	46.713	1.452.877

3. Explanations on reserve requirements:

The banks operating in Turkey are subject to the Central Bank of the Republic of Turkey’s Communiqué numbered 2005/1 and are required to keep a deposit at the CBRT for their Turkish Lira, USD and/or Euro and standard gold.

As of 30 June 2017, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 4% - 10,50% (31 December 2016: 4% - 10,50%), for TL deposits and other liabilities, and between 4% - 24% for FC deposits (31 December 2016: 4,5% - 24,5%).

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 June 2017	Prior Period 31 December 2016
	Collateral/Blocked	208.659
Repurchase Agreement	-	-
Unrestricted	83.793	87.202
Total	292.452	98.009

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

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

	Current Period 30 June 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Forward Transactions	26.843	96.897	69.443	16.269
Swap Transactions	140.457	182.743	525.092	142.442
Futures Transactions	-	-	-	-
Options	-	210.340	-	154.562
Other	-	-	-	-
Total	167.300	489.980	594.535	313.273

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 June 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Banks				
Domestic	332.682	-	39.950	1
Foreign	38.687	189.858	42.060	877.826
Foreign Head Office and Branches	-	-	-	-
Total	371.369	189.858	82.010	877.827

2. Information on foreign banks balances:

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”.

d. Information on financial assets available-for-sale:

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

	Current Period 30 June 2017	Prior Period 31 December 2016
Collateral/Blocked	1.306.517	683.332
Repurchase Agreement	-	536.123
Unrestricted	29.659	45.016
Total	1.336.176	1.264.471

2. Information on available-for-sale financial assets:

	Current Period 30 June 2017	Prior Period 31 December 2016
Debt Securities	1.327.315	1.257.091
Quoted to Stock Exchange	1.327.315	1.257.091
Not Quoted	-	-
Share Certificate	8.962	8.002
Quoted to Stock Exchange	-	-
Not Quoted	8.962	8.002
Impairment Provision (-)	101	622
Total	1.336.176	1.264.471

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

e. Information related to loans:

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

	Current Period 30 June 2017		Prior Period 31 December 2016	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	73.955	-	81.777
Corporate Shareholders	-	73.955	-	81.777
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	10.442	337.901	7.404	463.715
Loans Granted to Employees	13.058	-	14.478	-
Total	23.500	411.856	21.882	545.492

2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables	Agreement Terms Modified		Loans and Other Receivables	Agreement Terms Modified	
		Payment Plan			Payment Plan	
		Extensions	Other		Extensions	Other
Non-specialised Loans	13.547.603	431.575	-	404.307	474.612	-
Commercial Loans	7.778.490	360.284	-	226.687	415.003	-
Export Loans	109.870	-	-	-	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	258.587	-	-	-	-	-
Consumer Loans	1.892.067	784	-	97.769	2.056	-
Credit Cards	2.346.102	70.302	-	68.713	56.538	-
Other (*)	1.162.487	205	-	11.138	1.015	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	13.547.603	431.575	-	404.307	474.612	-

(*) Includes the factoring receivables amounting to TL 501.377.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Extended by 1 or 2 times	431.575	473.734
Extended by 3, 4 or 5 times	-	878
Extended by more than 5 times	-	-
Total	431.575	474.612

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 – 6 Months	8.269	4.113
6 – 12 Months	11.071	6.272
1 – 2 Years	212.308	97.857
2 – 5 Years	199.157	189.603
5 Years or More	770	176.767
Total	431.575	474.612

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

3. Breakdown of loans according to their maturities:

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.

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	37.642	1.702.256	1.739.898
Mortgage Loans	-	848.657	848.657
Automotive Loans	-	3.692	3.692
Consumer Loans	37.642	844.519	882.161
Other	-	5.388	5.388
Consumer Loans- Indexed to FC	-	510	510
Mortgage Loans	-	510	510
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	2.402.320	123.926	2.526.246
Instalment	771.583	123.926	895.509
None Instalment	1.630.737	-	1.630.737
Individual Credit Cards-FC	7.288	-	7.288
Instalment	-	-	-
None Instalment	7.288	-	7.288
Personnel Loans-TL	550	7.548	8.098
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	550	7.548	8.098
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	4.886	-	4.886
Instalment	2.029	-	2.029
None Instalment	2.857	-	2.857
Personnel Credit Cards-FC	74	-	74
With Instalment	-	-	-
Without Instalment	74	-	74
Overdraft Account-TL (Individual)	244.170	-	244.170
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	2.696.930	1.834.240	4.531.170

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

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

	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	2.487	163.724	166.211
Mortgage Loans	-	1.748	1.748
Automotive Loans	-	1.633	1.633
Consumer Loans	2.487	160.343	162.830
Other	-	-	-
Commercial Installment Loans- Indexed to FC	11.827	107.459	119.286
Mortgage Loans	-	3.305	3.305
Automotive Loans	-	3.085	3.085
Consumer Loans	11.827	101.069	112.896
Other	-	-	-
Commercial Installment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	2.769	-	2.769
With Installment	219	-	219
Without Installment	2.550	-	2.550
Corporate Credit Cards-FC	392	-	392
With Installment	-	-	-
Without Installment	392	-	392
Overdraft Account-TL (Commercial)	11.260	-	11.260
Overdraft Account-FC (Commercial)	-	-	-
Total	28.735	271.183	299.918

6. Loans according to types of borrowers:

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”.

7. Distribution of domestic and foreign loans:

	Current Period 30 June 2017	Prior Period 31 December 2016
Domestic Loans	14.455.049	13.724.606
Foreign Loans	403.048	459.634
Total (*)	14.858.097	14.184.240

(*) Includes the factoring receivables amounting to TL 501.377 (31 December 2016: TL 476.308).

8. Loans granted to investments in associates and subsidiaries:

As of 30 June 2017 and 31 December 2016, the Bank has no loans granted to investments in associates and subsidiaries.

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

9. Specific provisions for loans:

	Current Period 30 June 2017	Prior Period 31 December 2016
Loans and Receivables with Limited Collectability	18.380	28.491
Loans and Receivables with Doubtful Collectability	89.259	111.688
Uncollectible Loans and Receivables	955.503	841.159
Total	1.063.142	981.338

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period: 30 June 2017	1.294	38.483	14.516
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	1.294	38.483	14.516
Rescheduled Loans and Other Receivables	-	-	-
Prior Period: 31 December 2016	28.986	8.396	11.437
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	28.986	8.396	11.437
Rescheduled Loans and Other Receivables	-	-	-

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Balance at the end of Prior Period: 31 December 2016	186.475	257.235	987.256
Additions (+)	206.190	2.790	2.954
Transfers from Other Categories of Non-Performing Loans (+)	1.395	256.884	220.062
Transfers to Other Categories of Non-Performing Loans (-)	256.702	222.352	-
Collections (-)	35.374	68.363	48.611
Write-offs (-) (*)	-	-	67.171
Corporate and Commercial Loans	-	-	67.171
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: 30 June 2017	101.984	226.194	1.094.490
Specific Provisions (-)	18.380	89.259	955.503
Net Balance on Balance Sheet	83.604	136.935	138.987

(*) The Parent Bank has concluded the sale of non performing corporate and commercial loans amounting to TL 67.171 for TL 16.797 in 2017.

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period: 30 June 2017			
Balance at the End of the Period	-	-	79
Specific Provisions (-)	-	-	44
Net Balance on Balance Sheet	-	-	35
Prior Period: 31 December 2016			
Balance at the End of the Period	-	-	165
Specific Provisions (-)	-	-	66
Net Balance on Balance Sheet	-	-	99

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period (Net): 30 June 2017			
Loans granted to corporate entities and real persons (Gross)	83.604	136.935	138.987
Specific Provisions Amount (-)	101.984	226.194	1.094.490
Loans granted to corporate entities and real persons (Net)	18.380	89.259	955.503
Banks (Gross)	83.604	136.935	138.987
Specific Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): 31 December 2016			
Loans granted to corporate entities and real persons (Gross)	157.984	145.547	146.097
Specific Provisions Amount (-)	186.475	257.235	987.256
Loans granted to corporate entities and real persons (Net)	28.491	111.688	841.159
Banks (Gross)	157.984	145.547	146.097
Specific Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

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

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

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

12. Explanations on the write-off policy of the Parent Bank:

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

f. Investments held-to-maturity:

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

As of 30 June 2017 and 31 December 2016, the Group has no investment held to maturity given as collateral/blocked and subject to repurchase agreements.

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

As of 30 June 2017 and 31 December 2016, the Group has no investments as government debt securities held to maturity.

3. Information on investment held-to-maturity is:

As of 30 June 2017 and 31 December 2016, the Group has no investments held to maturity.

4. The movement of investment securities Held-to-maturity:

As of 30 June 2017 and 31 December 2016, the Group has no investments of held to maturity movement.

g. Information on associates (Net):

The Group has no associates as of 30 June 2017 and 31 December 2016.

h. Information on subsidiaries (Net):

1. Information on unconsolidated subsidiaries:

a) Unconsolidated subsidiaries:

Title	Address (City/Country)	The Parent Bank's share percentage – If different voting percentage (%)	Bank's risk group share percentage (%)
1 HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	100,00	0,00
2 Tasfiye Halinde HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	96,00	4,00

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
1	2.212	1.473	-	-	-	706	1.319	-
2	15	4	-	-	-	(4)	(13)	-

(*) Prepared with non-reviewed financial statements as of 30 June 2017.

(**) Prior period balances have been prepared over the non reviewed financial statements as of 31 December 2016.

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

2. Information on the consolidated subsidiaries:

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

a) Consolidated subsidiaries:

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

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

	Total Shareholders' Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss (**)	Fair Value
1	108.074	95.196	1.113	5.883	2.525	21.802	10.540	-

(*) Prepared with the audited financial statements as of 30 December 2016.

(**) Prepared with the non reviewed financial statements as of 30 June 2016.

3. Movement schedule of the consolidated subsidiaries:

	Current Period 30 June 2017	Prior Period 31 December 2016
Balance at the Beginning of the Period	34.753	34.753
Movements During the Period		
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Increase /decrease of valuation	-	-
Balance at the End of the Period	34.753	34.753
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	99,87	99,87

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

	Current Period 30 June 2017	Prior Period 31 December 2016
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

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

5. Subsidiaries quoted on a stock exchange:

The Group has no subsidiaries quoted on a stock exchange as of 30 June 2017 and 31 December 2016.

i. Information on jointly controlled entities:

1. The Group has no jointly controlled entities as of 30 June 2017 and 31 December 2016.
2. As of 30 June 2017 and 31 December 2016, the accounting method is not determined since the Group has no jointly controlled entities.

j. Information on financial lease receivables (Net):

As of 30 June 2017 and 31 December 2016, the Group has no finance leases.

k. Explanations on hedging derivative financial assets:

	Current Period 30 June 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	-	-	69.454	-
Foreign Net Investment Hedge	-	-	-	-
Total	-	-	69.454	-

l. Explanations on property and equipment:

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”.

m. Explanations on intangible assets:

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”.

n. Explanations on the investment properties:

As of 30 June 2017 and 30 December 2016, the Group has no investment properties.

o. Explanations on deferred tax asset:

Group’s deferred tax assets as of 30 June 2017 are explained in Note XVIII of Section Three.

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

The Parent Bank signed the share transfer agreement regarding to the Board of directors decision on selling all banking activities of Cyprus Branches of HSBC Bank A.Ş and initiated the required legal process on 23 March 2017. Non-financial assets of the branches were recognized in accordance with the TFRS 5 and financial assets were recognized in accordance with TAS 39 (Non-finacial and financial assets of the branches were recognized in accordance with TFRS 5 and TAS 39, respectively.). Operations regarding to these branches are classified as ongoing activities in 30 June 2017 financial statement and consolidated under the financial statement of assets and liabilities of the branches. The table below represents the summary financial information on the branches as of 30 June 2017.

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

	Net Amount
Banks	115.044
Securities Portfolio	150.951
Loans and Receivables (Net)	76.991
Other Assets	137.592
Total Assets	480.578
	Net Amount
Deposit	295.364
Borrowings	117.967
Provisions	3.429
Other Liabilities	63.818
Total Liabilities	480.578
	Net Amount
Interest Income	16.085
Interest Expenses	10.437
Fees and Commissions Income/Loss (Net)	1.823
Exchange Profit / Loss (Net)	236
Specific Provisions for Non Performing Loans (-)	2.631
Other Non-Interest Income	2.286
Other Operating Expenses (-)	6.061
Tax Provisions	40
Net Profit	1.261

As of 30 June 2017, fixed assets that held for sale of the Bank is TL 2.797 (31 December 2016: TL 2.742).

r. Information on other assets:

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

	Current Period	Prior Period
	30 June 2017	31 December 2016
Miscellaneous Receivables	173.593	6.004
Prepaid Expenses	60.082	37.394
Debited Suspence Accounts	20.025	57.308
Other Rediscount Income	20.461	12.312
Other Assets	5.463	4.360
Total	279.624	117.378

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

As of 30 June 2017 and 31 December 2016, the Group has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

a. Information on deposits

1. Information on maturity structure of the deposits:

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

1(i). Current Period – 30 June 2017:

	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	352.452	-	552.844	1.971.944	89.110	31.161	23.766	-	3.021.277
Foreign Currency									
Deposits	1.806.925	-2.274.758	4.689.200	553.789	108.713	52.446	-	-	9.485.831
Residents in Turkey	1.467.514	-2.116.068	4.112.348	500.803	93.199	17.435	-	-	8.357.367
Residents Abroad	339.411	-	108.690	576.852	52.986	15.514	35.011	-	1.128.464
Public Sector Deposits	117.916	-	-	-	-	-	-	-	117.916
Commercial Deposits	341.339	-	664.888	30.211	100.636	441	1.410	-	1.138.925
Other Institutions									
Deposits	6.510	-	1.360	3.159	-	-	-	-	11.029
Precious Metal	281.535	-	2.154	65.143	794	3.372	-	-	352.998
Bank Deposits	65.881	-5.130.762	-	-	-	-	-	-	5.196.643
The CBRT	-	-5.066.324	-	-	-	-	-	-	5.066.324
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	65.881	-	64.438	-	-	-	-	-	130.319
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	2.972.558	-8.626.766	6.759.657	744.329	143.687	77.622	-	-	-19.324.619

1(ii). Prior Period - 31 December 2016:

	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	415.452	-1.053.445	2.991.576	115.186	39.997	24.754	-	-	4.640.410
Foreign Currency									
Deposits	1.986.054	-2.108.789	4.166.221	349.110	101.985	51.285	-	-	8.763.444
Residents in Turkey	1.665.892	-1.769.199	3.582.843	303.834	74.175	17.790	-	-	7.413.733
Residents Abroad	320.162	-	339.590	583.378	45.276	27.810	33.495	-	1.349.711
Public Sector Deposits	19.967	-	-	-	-	-	-	-	19.967
Commercial Deposits	378.363	-	747.151	14.156	704	1.631	174	-	1.142.179
Other Institutions									
Deposits	5.917	-	1.168	4.055	-	-	-	-	11.140
Precious Metal Deposit	297.233	-	5.623	69.462	1.795	3.100	-	-	377.213
Bank Deposits	123.171	-	44.548	-	-	-	-	-	167.719
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	123.171	-	44.548	-	-	-	-	-	167.719
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.226.157	-3.960.724	7.245.470	466.795	146.713	76.213	-	-	-15.122.072

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II. EXPLANATIONS AND NOTES RELATED TO THE 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:

	Covered by Insurance		Exceeding Deposit Insurance Limit	
	Current Period 30 June 2017	Prior Period 31 December 2016	Current Period 30 June 2017	Prior Period 31 December 2016
Saving Deposits	1.855.522	2.477.436	1.107.370	2.090.596
Foreign Currency Saving Deposits	1.792.095	1.492.801	5.707.462	4.691.126
Other Deposits in the Form of Saving Deposits	13.961	14.779	60.549	67.541
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	128.871	138.418	123.202	145.670
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	3.790.449	4.123.434	6.998.583	6.994.933

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

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

	Current Period 30 June 2017	Prior Period 31 December 2016
Foreign Branches' Deposits and other accounts	123.202	145.670
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wordship	-	-
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 wordship	12.316	-
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26/09/2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	-	-

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b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 30 June 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Forward Transactions	9.646	37.230	295	136.791
Swap Transactions	147.143	242.209	24.292	351.152
Future Transactions	-	-	-	-
Options	-	212.318	-	154.728
Other	-	-	-	-
Total	156.789	491.757	24.587	642.671

c. Information on funds provided under repurchase agreements:

As of 30 June 2017, the Group has no funds provided under repurchase agreements (31 December 2016: TL 531.938).

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 30 June 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	-	337	1.524	4.166
From Foreign Banks, Institutions and Funds	765.664	932.544	211.107	2.124.212
Total	765.664	932.881	212.631	2.128.378

2. Information on maturity structure of funds borrowed:

	Current Period 30 June 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Short-term	-	50.868	1.524	7.337
Medium and Long-term	765.664	882.013	211.107	2.121.041
Total	765.664	932.881	212.631	2.128.378

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

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

e. Information on other liabilities:

Other liabilities of the Group do not exceed 10% of the total liabilities.

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(Continued)

f. Information on leasing agreements:

1. Explanations on obligations under financial leases:

None (31 December 2016: None).

2. Explanations on operational lease:

The Parent Bank makes a contract which is operating lease agreement for its some branches and ATMs. Lease agreements are made on an annual basis and annual lease payment is paid in advance. The payment is accounted under prepaid expenses of “Other Assets” account.

Maturity structure of prepaid rents due to operational lease transactions is presented below.

	Current Period	Prior Period
	30 June 2017	31 December 2016
Less Than 1 Year	18.019	16.196
Between 1- 4 Years	10.351	5.963
More Than 4 Years	2.403	2.743
Total	30.773	24.902

g. Information on derivative financial liabilities for hedging purposes:

The Group has no derivative financial liabilities for hedging purposes as of 30 June 2017 (31 December 2016: None).

h. Information on provisions:

1. Information on general provisions:

	Current Period	Prior Period
	30 June 2017	31 December 2016
General Provisions	459.896	481.729
Provisions for First Group Loans and Receivables	298.779	305.364
Provisions for Second Group Loans and Receivables	46.829	58.356
Provisions for Non-Cash Loans	23.227	22.096
Other	91.061	95.913

2. Information on employee benefit provisions:

As of 30 June 2017 the Group has employee termination benefit provision amounting to TL 54.036 (31 December 2016: TL 49.779), and unused vacation provision amounting to TL 9.903 (31 December 2016: TL 6.524).

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 4.426,16 (full TL) (31 December 2016: TL 4.297,21 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

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

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Bank is calculated from the ceiling amount valid from 1 January 2016, TL 4.426,16 (full TL) (31 December 2016: TL 4.297,21 (full TL)).

	Current Period 30 June 2017	Prior Period 31 December 2016
As of January 1	49.779	55.220
Service Cost	4.021	26.963
Interest Cost	2.585	4.963
Actuarial Loss/(Gain)	4.050	5.688
Paid in Current Period	(6.399)	(43.055)
Total	54.036	49.779

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

As of 30 June 2017, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 17.121 (31 December 2016: TL 47), is offset with the balance of foreign currency indexed loans.

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

As of 30 June 2017, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 188 (31 December 2016: TL 15.142).

5. Information on other provisions:

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

As of 30 June 2017, the Group has no free provisions for possible risks (31 December 2016: None).

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(Continued)

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

	Current Period	Prior Period
	30 June 2017	31 December 2016
Provisions for lawsuits	29.868	26.479
Unpaid cheques received on time	11.520	16.562
Provision for accumulated credit card bonus	4.492	6.200
Return provision of case file expenses	2.651	3.047
Specific provision for non-cash loans that are non-funded and non-transformed into cash	188	15.142
Other provisions (*)	141.544	171.274
Total	190.263	238.704

(*) The Group recognized a provision of TL 106.396 as of 30 June 2017 for the predicted restructuring costs associated with the restructuring plan (31 December 2016: TL 127.051).

i. Explanations on tax liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period	Prior Period
	30 June 2017	31 December 2016
Corporate Taxes Payable	10.194	11.532
Taxation on Marketable Securities	8.379	10.957
Banking Insurance Transaction Tax (BITT)	1.605	1.665
Value Added Tax Payable	1.480	1.336
Capital Gains Tax on Property	529	805
Foreign Exchange Transaction Tax	6	13
Other (*)	8.636	11.393
Total	30.829	37.731

(*) As of 30 June 2017, other taxes payable account consists of payroll tax amounting to TL 6.023 (31 December 2016: TL 9.836), stamp tax amounting to TL 206 (31 December 2016: TL 280) and other taxes amounting to TL 2.407 (31 December 2016: TL 1.096).

1 (ii). Information on premium payables:

	Current Period	Prior Period
	30 June 2017	31 December 2016
Social Security Premiums – Employee	4.431	2.959
Social Security Premiums – Employer	4.998	3.344
Bank Social Aid Pension Fund Premium – Employee	-	-
Bank Social Aid Pension Fund Premium – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	323	219
Unemployment Insurance – Employer	641	437
Other	-	-
Total	10.393	6.959

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

2. Information on deferred tax liability:

Information on the Group’s deferred tax liability as of 30 June 2017 is explained in Note XVIII of Section Three.

j. Information on liabilities regarding assets held for sale and discounted operations:

As of 30 June 2017 and 31 December 2016, the Group has no liabilities regarding assets held for sale and discontinued operations.

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

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

l. Information on shareholder’s equity:

1. Presentation of paid-in capital:

	Current Period 30 June 2017	Prior Period 31 December 2016
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

According to the statement published by BRSA dated 28 April 2005, capital reserve due to adjustment of the paid-in capital for inflation amounting to TL 272.693 has been classified under the other capital reserve sub-account (31 December 2016: TL 272.693).

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

Registered share capital system is not applied.

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

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

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

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

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

The Group has no capital commitments.

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

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

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

7. Summary information on privileges given to shares representing the capital:

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

8. Information on valuation differences of marketable securities:

	Current Period 30 June 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	2.166	608	(1.194)	-
Foreign Currency Difference	-	-	-	-
Total	2.166	608	(1.194)	-

9. Information on revaluation value increase fund:

As of 30 June 2017 and 31 December 2016, the Group has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period 30 June 2017	Prior Period 31 December 2016
First Legal Reserve	138.697	137.660
Second Legal Reserve	55.781	65.262
Legal Reserves according to Special Legislation	-	-
Total	194.478	202.922

11. Information on extraordinary reserves:

	Current Period 30 June 2017	Prior Period 31 December 2016
Reserves Allocated per General Assembly Minutes	1.142.598	1.488.831
Undivided Profit	97.844	97.844
Accumulated Loss	-	-
Translation Difference	-	-
Total	1.240.442	1.586.675

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

The whole capital of the Parent Bank belongs to HSBC Bank Plc., a bank established according to the laws of the United Kingdom, whose headquarters is located in the United Kingdom.

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

a. Explanations on off-balance sheet commitments:

1. Loan type and amount of irrevocable commitments:

	Current Period 30 June 2017	Prior Period 31 December 2016
Asset Purchase and Sale Commitments	7.884.932	5.131.953
Commitments for Credit Card Limits	4.328.654	4.797.889
Commitments for Cheques	510.493	489.020
Loan Granting Commitments	400.369	481.649
Time Deposit Purchase and Sale Commitments	96.473	-
Short Sale Commitments	-	53.976
Commitments for Credit Cards and Banking Services Promotions	16.639	17.609
Tax and Fund Liabilities from Export Commitments	3.998	4.962
Other Irrevocable Commitments	622.074	747.148
Total	13.863.632	11.724.206

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

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

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

	Current Period 30 June 2017	Prior Period 31 December 2016
Letters of Guarantee	1.396.723	1.767.728
Letters of Credit	542.326	476.016
Bank Acceptances	111.930	58.547
Other Guarantees	264.081	348.109
Total	2.315.060	2.650.400

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

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

3. Explanations on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 30 June 2017	Prior Period 31 December 2016
Non-Cash Given For Cash Loan Risks	659	1.325
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	659	1.325
Other Non-Cash Loans	2.314.401	2.649.075
Total	2.315.060	2.650.400

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

3 (ii). Information on sectoral risk concentrations of non-cash loans:

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”.

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

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”.

b. Explanations on derivative transactions:

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”.

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 June 2017 there is no contingent asset to be disclosed.

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

The Group has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 June 2017, the total amount of these lawsuits filed against the Group is TL 32.127 (31 December 2016: TL 39.320). A total provision of TL 32.519 (31 December 2016: TL 29.526) has been made for those lawsuits as the probability of being concluded against the Group is higher than the probability of their concluding in its favour, with TL 2.651 (31 December 2016: TL 3.047) 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 customer.

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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

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

	Current Period 30 June 2017		Prior Period 30 June 2016	
	TL	FC	TL	FC
Short-term Loans	426.671	3.427	510.269	19.412
Medium and Long-Term Loans	225.738	89.676	316.216	96.833
Interest on Non Performing Loans	17.278	-	17.261	-
Total	669.687	93.103	843.746	116.245

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

2. Information on interest income received from banks:

	Current Period 30 June 2017		Prior Period 30 June 2016	
	TL	FC	TL	FC
From the CBRT	91.013	-	-	-
From Domestic Banks	2.796	-	3.042	1.407
From Foreign Banks	1.385	256	1.658	436
Headquarters and Branches Abroad	-	-	-	-
Total	95.194	256	4.700	1.843

3. Information on interest income on marketable securities:

	Current Period 30 June 2017		Prior Period 30 June 2016	
	TL	FC	TL	FC
Financial Assets Held For Trading	5.963	323	43.090	279
Financial Assets At Fair Value Through Profit/Loss	-	-	-	-
Financial Assets Available For Sale	69.531	-	43.565	-
Investments Held to Maturity	-	-	-	-
Total	75.494	323	86.655	279

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

As of 30 June 2017 and 30 June 2016, the Parent Bank has no interest income received from investments in associates and subsidiaries.

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

b. Information on interest expense:

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

	Current Period 30 June 2017		Prior Period 30 June 2016	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	48	49	468	82
Foreign Banks	36.290	75.305	43.062	83.544
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	36.338	75.354	43.530	83.626

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

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

None.

3. Information on interest expense given on securities issued:

The Group does not have any interest expense given on securities issued as of 30 June 2017 and 30 June 2016.

4. Maturity structure of the interest expense on deposits:

Current Period: 30 June 2017	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank Deposits	-	14.331	-	-	-	-	-	14.331
Saving Deposits	-	38.493	119.723	5.132	1.531	1.029	-	165.908
Public sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	29.861	1.384	569	7	58	-	31.879
Other Deposit	-	15	24	-	-	-	-	39
Deposits with 7 Days Maturity	-	-	-	-	-	-	-	-
Total	-	82.700	121.131	5.701	1.538	1.087	-	212.157
Foreign Currency								
Foreign currency Deposits	-	15.675	39.857	5.208	940	354	-	62.034
Interbank Deposits Precious metal Deposits	-	8.466	-	-	-	-	-	8.466
Deposits with 7 Days Maturity	-	-	423	15	20	-	-	458
Total	-	24.141	40.280	5.223	960	354	-	70.958
Grand Total	-	106.841	161.411	10.924	2.498	1.441	-	283.115

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

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

Prior Period: 30 June 2016	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank Deposits	-	11.246	-	-	-	-	-	11.246
Saving Deposits	-	61.921	224.061	9.148	2.523	1.850	-	299.503
Public Sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	33.949	19.521	144	177	112	-	53.903
Other Deposit	-	82	495	4	-	3	-	584
Deposits with 7 Days Maturity	-	-	-	-	-	-	-	-
Total	-	107.198	244.077	9.296	2.700	1.965	-	365.236
Foreign Currency								
Foreign currency								
Deposits	-	11.600	37.988	1.177	696	331	-	51.792
Interbank Deposits	-	263	-	-	-	-	-	263
Precious metal Deposits	-	-	248	15	20	-	-	283
Deposits with 7 Days Maturity	-	-	-	-	-	-	-	-
Total	-	11.863	38.236	1.192	716	331	-	52.338
Grand Total	-	119.061	282.313	10.488	3.416	2.296	-	417.574

5. Information on interest given on repurchase agreements:

As of 30 June 2017, the Parent Bank has interest given on repurchase agreements amounting to TL 18.058 (30 June 2016: TL 27.189).

6. Information on financial lease expenses:

The Group has no financial lease expenses as of 30 June 2017 and 30 June 2016.

7. Information on interest expenses given on factoring payables:

The Group has no interest given on factoring payables as of 30 June 2017 and 30 June 2016.

c. Explanations on dividend income:

As of 30 June 2017, the share of the Group in the dividend distribution of its subsidiaries is TL 2.684 (30 June 2016: None).

d. Explanations on trading income/loss (net):

1. Trading income/loss (net):

	Current Period 30 June 2017	Prior Period 30 June 2016
Profit	62.118.622	41.561.599
Capital Market Transactions Income	17.244	50.991
Gain on Derivative Financial Transactions	2.771.323	2.945.745
Foreign Exchange Gains	59.330.055	38.564.863
Loss (-)	62.309.774	41.495.616
Capital Market Transactions Loss	6.742	10.629
Loss on Derivative Financial Transactions	3.087.119	2.985.597
Foreign Exchange Loss	59.215.913	38.499.390
Total (Net)	(191.152)	65.983

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

2. Explanations on derivative instruments gain/loss:

	Current Period 30 June 2017	Prior Period 30 June 2016
Effect of the change in exchange rates on profit/loss	(598.112)	(182.311)
Effect of the change in interest rates on profit/loss	282.316	142.459
Total (Net)	(315.796)	(39.852)

e. Explanations on other operating income:

	Current Period 30 June 2017	Prior Period 30 June 2016
Reverse of previous years expenses	125.307	100.915
Gain on sale of non performing loan (*)	16.797	41.327
Gain on sale of assets	701	615
Gain on Visa valuation	760	31.843
Provision for telecommunication expense	2.126	1.424
Other income	9.987	9.891
Total	155.678	186.015

(*) Includes the amount from the sale of non performing corporate and commercial loans amounting to TL 67.171 for TL 16.797 in 2017.

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

	Current Period 30 June 2017	Prior Period 30 June 2016
Specific Provisions for Loans and Other Receivables	213.803	289.210
III. Group Loans and Receivables	17.949	41.435
IV. Group Loans and Receivables	67.283	86.159
V. Group Loans and Receivables	128.571	161.616
General Provision Expenses	-	-
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	-	1.175
Financial Assets at Fair Value Through Profit or Loss	-	97
Available-for-sale Financial Assets	-	1.078
Investments in Associates, Subsidiaries and Held-to-Maturity	-	-
Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Investments Held-to-maturity	-	-
Other	4.751	25.946
Total	218.554	316.331

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED
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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT (Continued)

g. Information related to other operating expenses:

	Current Period 30 June 2017	Prior Period 30 June 2016
Personnel Expenses	228.430	303.990
Reserve for Employee Termination Benefits	3.884	12.940
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	11.038	15.351
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	8.646	10.529
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	33	38
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	-	-
Operational Lease Expenses	143.636	182.008
Maintenance License Expenses	51.142	80.752
Maintenance Expenses	14.728	17.241
Advertisement Expenses	5.609	5.383
Communication Expenses	11.246	14.231
Maintenance Licence Expenses	17.840	15.777
Other Expenses	43.071	48.624
Loss on Sales of Assets	2.547	3.750
Tax, Duties, Charges and Funds Expenses	17.155	28.331
Saving Deposit Insurance Fund Expenses	15.677	21.928
Other (*)	63.842	94.046
Total	494.888	672.911

(*) Amount of TL 63.842 (30 June 2016: TL 94.046) consists of audit fee amounting to TL 14.128 (30 June 2016: TL 8.562), arbitration committee expenses amounting to TL 4.589 (30 June 2016: TL 15.740) and remaining TL 45.125 of other expenses (30 June 2016: TL 69.744).

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

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.

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

As of 30 June 2017, the Group has corporate tax provision income amounting to TL 3.307 (30 June 2016: TL 4.426 expense) and deferred tax income amounting to TL 186 (30 June 2016: TL 3.008 expense).

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

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

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

k. Explanations on net profit and loss for the period:

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

Net interest income, amounting to TL 614.090 (30 June 2016: TL 485.116), net wage and commission income amounting to TL 198.956 (30 June 2016: TL 221.787) have an important role among the income items in the accounting period ending on 30 June 2017. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Group’s interest income are the interests received from loans and intrabank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

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

	Current Period 30 June 2017	Prior Period 30 June 2016
Credit Card Transactions	115.894	145.524
Insurance Commissions	20.088	25.505
Banking Transactions	15.144	19.406
Fund Platform	12.751	8.131
Other (*)	44.409	33.912
Total	208.286	232.478

(*) Amount of TL 44.409 (30 June 2016: TL 33.912) consists of share commission income amounting to TL 16.685 (30 June 2016: TL 14.211) and remaining TL 27.724 of other incomes (30 June 2016: TL 19.701).

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

a. Information on the current year adjustments made in accordance with the requirements of the accounting Standard on Financial Instruments:

1. Decreases/Increases after the revaluation of available-for-sale investments:

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”.

2. Information on increases in cash flow hedges:

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”.

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**V. EXPLANATIONS AND NOTES RELATED TO THE CHANGES IN CONSOLIDATED
SHAREHOLDERS' EQUITY (Continued)**

**b. Information on adjustments made for the application of Standard on Accounting for
Financial Instruments in the current year:**

1. Information on investments available-for-sale:

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”.

2. Information on cash flow hedges:

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”.

c. Explanations on dividend distribution:

None.

d. Explanations on issuance of common stock:

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”.

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

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”.

f. Offsetting prior period's losses:

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”.

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

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

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”.

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

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”.

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

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”.

d. Information on cash and cash equivalents:

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”.

e. Additional information:

None.

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

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

Current Period – 30 June 2017:

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	7.404	545.492	-	-
Closing Balance	-	-	10.442	411.856	-	-
Interest and Commissions Income	-	-	2.349	2.614	-	-

Prior Period – 31 December 2016:

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	20.399	738.493	-	-
Closing Balance	-	-	7.404	545.492	-	-
Interest and Commissions Income(*)	-	-	1.593	484	-	-

(*) The prior period balances present amounts of 30 June 2016.

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

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period 30 June 2017	Prior Period 31 December 2016	Current Period 30 June 2017	Prior Period 31 December 2016	Current Period 30 June 2017	Prior Period 31 December 2016
Deposit						
Opening Balance	2.051	751	123.094	49.079	14.129	9.252
Closing Balance	457	2.051	65.808	123.094	12.356	14.129
Interest expense on deposits(*)	-	-	-	-	192	320

(*) The prior period balances present amounts of 30 June 2016.

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

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

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	34.002.552	61.011.511	-	-
Closing Balance	-	-	65.624.194	34.002.552	-	-
Total Profit/Loss(*)	-	-	10.521	317.186	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	559.703	1.003.370	-	-
Closing Balance	-	-	-	559.703	-	-
Total Profit/Loss(*)	-	-	-	190	-	-

(*) The prior period balances present amounts of 30 June 2016.

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

As of 30 June 2017, payment is made to Board of Directors top executives of the Group amounting to TL 14.631 (30 June 2016: TL 16.108).

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

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

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”.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 30 June 2017, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and review report dated 21 August 2017 is presented before to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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SECTION SEVEN

INTERIM ACTIVITY REPORT

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

GENERAL INFORMATION

1. Summary Information about HSBC Bank A.Ş.

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

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

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

HSBC Bank acquired the biggest credit card institution, Benkar Tüketici Finansmanı ve Kart Hizmetleri A.Ş.'yi (Benkar) that falls outside the banking sector, with Advantage brand in September 2002 and merged Benkar with HSBC Bank legal entity in December 2002.

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

HSBC's Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of 30 June 2017 HSBC Bank's paid-in capital is TRY 652.290 Thousand and its capital structure is as follows:

Shareholder's Name and Surname/Title	Number of shares	Share amount (TRY)
Publicly offered	-	-
Non-publicly offered	65.229.000.000	652.290.000
HSBC Bank Plc.	58.699.577.100	586.995.771
Midcorp Limited	6.529.422.600	65.294.226
HSBC International Financial Services (UK) Ltd	100	1
Griffin International Limited	100	1
EMITT Limited	100	1
Total	65.229.000.000	652.290.000

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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 June 2017, the Parent Bank has 85 branches dispersed throughout the country and 4 branches operating abroad (31 December 2016: 86 branches and 4 branches operating abroad). As of 30 June 2017, the number of employees of the Bank is 2.872 (31 December 2016: 3.240)

4. Amendments Made to the Articles of Association During the Period

HSBC Bank's Articles of Association had no changes in 1 January – 30 June 2017 period.

5. Chairman and Members of the Board of Directors

HSBC Bank A.Ş. Board of Directors as of 30 June 2017:

Name and Surname	Title
David Gordon Eldon	Chairman
Hamit Aydoğan	Chairman Deputy
Süleyman Selim Kervancı	Member and CEO
Mehmet Gani Sönmez	Member
Paul Hagen	Member
Ian Simon Jenkins	Member
Edward Michael Flanders	Member
Lütfiye Yeşim Uçtum	Member
David Anthony Hartnett	Member
James Alasdair Emmett	Member

6. Audit Committee

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

Name and Surname	Title
Ian Simon Jenkins	Head of the Audit Committee
Lütfiye Yeşim Uçtum	Member of the Audit Committee
Paul Hagen	Member of the Audit Committee

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

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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 June 2017:

Name and Surname	Title	Area of Responsibility
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Necdet Murat Şarsel	Deputy CEO	Credit and Risk
Rüçhan Çandar	Deputy CEO	Technology and Services
Ayşe Yenal	Executive Vice President	Retail Banking
Ali Batu Karaali	Executive Vice President	Treasury and Capital Markets
Burçin Ozan	Executive Vice President	Finance
Sait Burak Zeylan (*)	Executive Vice President	Commercial Banking
Hulusi Horozoğlu	Executive Vice President	Global and Investment Banking
Tolga Tüzüner	Head Legal Advisor	Legal
Hale Ökmen Ataklı (**)	Head of Group	Human Resources

(*) Per the Board Decision no.13890 dated 16 June 2017, Sait Burak ZEYLAN, resigned from his duty as of 1 August 2017.

(**) Per the Board Decision no.13910 dated 12 September 2017, Funda TEMOÇİN AYDOĞAN is assigned on behalf of Hale ÖKMEN ATAKLI that resigned from her duty as of 4 August 2017, Per the Board Decision no.13910 dated 24 July 2017.

8. HSBC Bank's Financial Power Rating

According to Moody's Credit Rating Institution's evaluations, HSBC Bank A.Ş.'s rating as of 30 June 2017 is as follows:

Definitions	Rating
Baseline Credit Assessment	b2
Outlook	Negatif
Long-term foreign currency deposit rating	Ba3
Long-term TRY deposit rating	Ba3
Short-term foreign currency deposit rating	NP
Short-term TRY deposit rating	NP
Long-term national scale TRY deposit	A2.tr

According to Standard & Poor's' assessment, HSBC Bank A.Ş.'s ratings as of 30 June 2017 were as follows:

Definitions	Rating
Long-term foreign currency	BB
Short-term foreign currency	B
Long-term TRY	BB
Short-term TRY	B
Long-term national scale rating	trAA-
Short-term national scale rating	trA-1

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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

According to consolidated financial statements, for the period ending on 30 June 2017 HSBC Bank's total assets realised at 26,8 billion TRY decreasing by 9,7% compared to the end of 2016. Credits, which form nearly 55% of the assets, seem to be around 15 billion TRY gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around 19 billion TRY and formed 72% of liabilities. The balance sheet's consolidated items groups' period-end balances on the relevant dates and quarterly changes are shown below.

ASSETS (Thousand TL)	30.06.2017	31.12.2016	Variance
Cash balances with central bank	6.822.941	1.768.920	285,7%
Financial assets at fair value through profit or (loss) (net)	949.732	1.005.817	(5,6%)
Banks	561.227	959.837	(41,5%)
Money markets	1.390.466	4.372.998	(68,2%)
Available-for-sale financial assets (net)	1.336.176	1.264.471	5,7%
Loans and receivables	14.716.246	14.157.560	3,9%
Factoring receivables	501.377	476.308	5,3%
Subsidiaries (net)	270	270	-
Hedging derivative financial assets	-	69.454	(100,0%)
Property and equipment (net)	75.986	81.599	(6,9%)
Intangible assets (net)	134.961	128.000	5,4%
Tax asset	13.570	4.556	197,8%
Assets held for resale and related to discontinued operations (net)	2.797	2.742	2,0%
Other assets	279.624	117.378	138,2%
Total Assets	26.785.373	24.409.910	9,7%
LIABILITIES (Thousand TL)	30.06.2017	31.12.2016	Variance
Deposits	19.324.619	15.122.072	27,8%
Trading derivative financial liabilities	648.546	667.258	(2,8%)
Borrowings	1.698.545	2.341.009	(27,4%)
Money markets	-	531.938	(100,0%)
Miscellaneous payables	264.863	344.213	(23,1%)
Other liabilities	203.837	260.572	(21,8%)
Hedging derivative financial liabilities	-	-	-
Provisions	714.098	776.736	(8,1%)
Tax liability	41.222	44.690	(7,8%)
Subordinated loans	1.486.447	1.983.954	(25,1%)
Shareholders' equity	2.403.196	2.337.468	2,8%
Total Liabilities	26.785.373	24.409.910	9,7%

Information related to HSBC Bank's consolidated income statement for 30 June 2017 and 30 June 2016 were shown below with the changes.

STATEMENT OF INCOME (Thousand TL)	30.06.2017	30.06.2016	Variance
Net interest income	614.090	485.116	26,6%
Other operating income	166.166	473.785	(64,9%)
Total operating income	780.256	958.901	(18,6%)
Operating expenses (-)	494.888	672.911	(26,5%)
Provision for loan losses and other receivables (-)	218.554	316.331	(30,9%)
Net operating income/(loss)	66.814	(30.341)	320,2%
Tax provision (-)	3.493	7.434	(53,0%)
NET PROFIT/(LOSS) FOR THE PERIOD	63.321	(37.775)	267,6%

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2017**

**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 David Eldon, Chairman

Global economic activity has strengthened in the second quarter of 2017. In the United States, economic growth accelerated to 2,6% in Q2 following a relatively weak growth of 1,2% in Q1. Meanwhile, core CPI inflation has declined well below the Fed's 2% target. In the Eurozone, manufacturing and service sectors have gained momentum, while deflation risks have notably diminished. In China, first half GDP growth announced at 6,9%, was above both market consensus and the country's growth target of 6,5%.

Given these developments, HSBC has edged up its global growth forecasts. More specifically we have revised upwards our global growth forecast for 2017 by 0,1 ppt to 2,7%, largely reflecting stronger-than-expected growth already delivered in the first quarter of this year in the Eurozone, Latin America and China. We have kept our 2018 global growth forecast unchanged at 2,7%. Whilst the developed world is projected to grow by 2,0% in 2017 and 1.8% in 2018, we expect emerging markets to grow by 4,5% and 4,8% in 2017 and 2018, respectively.

Turning to Turkey, HSBC expects that the country's economy will grow by 3,0% in 2017 (up from our previous forecast of 2,3%) and 2,5% in 2018. Strong growth figures in Q1 and strong monthly economic activity figures for Q2 led us to revise upwardly our 2017 forecast. Although these forecasts are well below our projected emerging market averages, HSBC believes Turkey has the potential to deliver growth over the long-term.

In Turkey annual CPI inflation rose to 11,9% in April mainly due to the lira depreciation and a sharp rise in food prices. This was the highest level since November 2008. Inflation eased to 10,9% in June. The base effects and deterioration in pricing behaviour will likely prevent notable declines in inflation during the remainder of the year. We expect annual inflation to end the year at 9,1%, followed by 8,5% in 2018, both well above the 5% official target.

As Turkey continues to develop, HSBC Turkey remains well positioned to support the country's businesses, whether they seek expansion capital, access to trade corridors, payments cash management solutions, derivatives products or M&A/IPO advisory services. We will also continue to serve our premium retail clients through Retail Banking and Wealth Management, helping them to achieve their personal financial goals.

I would like to thank the Board, the Management Team, our Colleagues and our Clients for their continuing commitment to HSBC.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2017**

**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 , CEO

Exceeding the market expectations of 3,5%, GDP increased by 5% in 1Q17 compared with the same quarter of the previous year. The largest contribution (3,1 pps) came from the private consumption, rising 5,1% over a year ago. Net exports, benefiting from the weakened TL, made the second largest contribution (2,2 pps) to GDP growth. The third major contribution (1,3 pps) came from government spending with a surge of 9,4%, followed by the small contribution (0,6 pps) from Gross Fixed Capital Formation rising 2,2% YoY. Meanwhile, sales from stocks erased 2,3 pps from the growth in 1Q. Several government stimulus measures, including tax cuts, incentives for private sector job creation, and a credit guarantee fund to encourage bank lending made a very positive impact to navigating a challenging period.

During 6M17 the banking sector in Turkey achieved a net income of TL25,4 bn, with a robust growth of 33,2% yoy, reflecting the large expansion in the loans' volume by 17,6% yoy (FX-adjusted). Net asset growth realised as 20% for the same term. The improvement in the banking sector's earnings is driven by the loan growth, lower net cost of risk, and positive fee growth, despite increasing NIM pressure and operating expense growth. However, nearly 80% of the government's TRY250bn credit guarantee facility (CGF) has now been utilised and lira borrowing by corporates has started to decelerate. Whilst increasing the interest rate for late liquidity window facility by 50 bps to 12,25 % in April, Turkey's central bank kept all its main interest rates unchanged in June and July and maintained the focus on a tight monetary policy stance until the outlook for consumer inflation improves.

At HSBC, we aim to contribute to the ongoing success of the Turkish economy and banking industry, primarily by leveraging our global connectivity and expertise to offer a unique value proposition to our customers. In recent months, we have continued to execute landmark transactions for a wide range of private and public sector clients through our core Wholesale business lines and product areas, including Global Banking & Markets, Commercial Banking, Global Trade and Receivables Finance, and Global Liquidity Cash Management. Meanwhile, driven by strong client-relationship management in Retail Banking and Wealth, we have continued to grow and develop our premium and wealth management propositions. We are delighted to announce that as a result of our changing retail banking and asset management strategies, the AUM (assets under management) by AMG Turkey increased by 15% growth from TL3.966 million TL4.561 million during 6M2107.

2016 has been a restructuring year whereas strategic restructuring programme that was undertaken in 2016 has laid a strong foundation for sustainable, long-term profitability. In 2017, as an investment year, we focused on strengthening system architecture being widely utilised throughout the whole enterprise, as well as on optimising asset portfolio by risk-based approach to ensure that risks are managed more effectively. We can already observe positive impacts of our successfully implemented strategies on our 6M2017 results, building strong prospects for more profitable years looking forward from 2018 onwards. Year on year comparisons to the 2016 financials show a business which turned to profitability, with operating income falling 18,6 % from 2Q16, to TRY780m and total operating expenses falling 26,5 % from 2Q16, to TRY 495m, with a positive jaws despite ongoing restructuring costs, HSBC Turkey recorded a profit before tax of TRY66,8m as of 2Q17. Our cost/income ratio was 63,4 %.

The business has also started to grow since the start of 2017, with the 2Q17 loan portfolio showing a rise of 3,9 % over YE16 balances, to TRY14,7bn, and deposits rising 27,8% over YE16 balances, to TRY19,3bn. The capital adequacy ratio was 19,16%, above the Banking Regulation and Supervision Agency target minimum ratio of 12% and also above the sector average of 16,9% as of June 2017.

In closing, I would like to thank my management team and all of our colleagues for their commitment and dedication, as well as our clients for giving us their confidence and trust.

10. Additional Information on Period Between 01.01.2017-30.06.2017

None.