



(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH, SEE NOTE 3.1)

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
AS AT AND FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2014**

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

13 August 2014

*This report consists of 1 page Independent Auditors'
Review Report and 76 pages interim financial
statements and related disclosures and footnotes.*



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

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**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REVIEW REPORT
RIGINALLY PREPARED AND ISSUED IN TURKISH (SEE NOTE 3.I)**

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of HSBC Bank Anonim Şirketi

We have reviewed the unconsolidated balance sheet of HSBC Anonim Şirketi (the "Bank") as at 30 June 2014, the unconsolidated statements of income, cash flows and changes in shareholders' equity for the six-month period then ended. These financial statements are the responsibility of the Bank's management. Our responsibility, as independent auditors, is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the regulations related with the "Accounting and Recording Rules" and "Independent Auditing Standards" of the (Turkish) Banking Law No 5411. These regulations require that we plan and perform the review to obtain reasonable assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not present fairly, the financial position of HSBC Anonim Şirketi as at 30 June 2014, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 of the (Turkish) Banking Law No 5411; and other regulations, communiqués and circular announced by the Banking Regulation and Supervision Board and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul
13 August 2014

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat Alsan
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3.I, the accompanying unconsolidated financial statements are not intended to present the financial position of the Bank and the results of its operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.


UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S. AS OF 30 JUNE 2014

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34394, İstanbul
Telephone/Fax : (0212) 376 40 00 / (0212) 366 33 83
Web-site : www.hsbc.com.tr
Contact E-mail Address : muhaberat@hsbc.com.tr

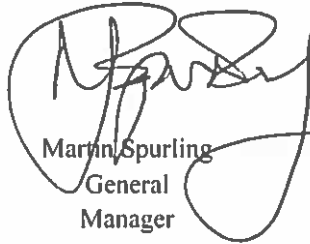
The unconsolidated interim financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION
- INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND DISCLOSURES
- LIMITED AUDITOR'S REPORT

The unconsolidated financial reports and 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 independent limited review and are presented enclosed.



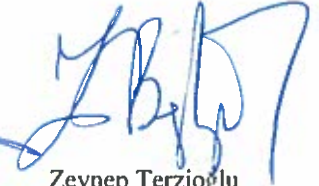
Brian Robertson
Chairman



Martin Spurling
General
Manager



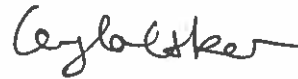
Neslihan Erkazancı
Financial Reporting
Assistant General
Manager



Zeynep Terzioğlu
Senior Manager



Gilles Denoyel
Head of
Audit Comitee



Leyla Etker
Member of
Audit Comitee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Zeynep Terzioğlu/Senior Manager
Tel : (0212) 376 4308
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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

Sicile Kayıtlı Olduğu yer: Esentepe Mah. Büyükdere Cad. No:128 Şişli 34394 İstanbul - İstanbul Ticaret Sicil Md.

Web Adresi: www.hsbc.com.tr

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.1**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (the Bank) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 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.

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

As of 30 June 2014, the Bank's nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01 TL. 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 2014 there has been no changes regarding the Bank's capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

Capital structure of the Bank comprises of the Group "A" and "B" shares. Board of Directors are chosen among the candidates nominated by group "A" shareholders.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.1

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

(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, SHARES OF THE BANK HELD BY THEM IF
ANY

<u>Title</u>	<u>Name</u>	<u>Title</u>	<u>Education</u>
Chairman of the Board:	Brian ROBERTSON	Chairman	Undergraduate
Chairman Deputy of the Board:	Antonio Pedro Dos Santos SIMOES	Chairman Deputy	Graduate
Board of Directors:	Martin SPURLING	Member and CEO	Undergraduate
	Kevin Peter SAWLE	Member	Associate Degree
	Mark John THUNDERCLIFFE	Member	Undergraduate
	Jonathan James CALLADINE	Member	Undergraduate
	Leyla ETKER	Member	Graduate
	Gilles Paul Marie DENOYEL	Member	Graduate
	Edward Michael FLANDERS	Member	Undergraduate
CEO:	Martin SPURLING (*)	CEO	Undergraduate
Head of Internal Audit:	Tolunay KANŞAY (*)	Head of Internal Audit	Undergraduate
Chief Assistant General Manager:	Necdet Murat ŞARSEL	Credit and Risk	Graduate
Executive Vice Presidents:	Necdet Murat ŞARSEL	Credit and Risk	Graduate
	Virna SÖKMEN	Corporate and Commercial Banking	Undergraduate
	Süleyman Selim KERVANCI	Global and Investment Banking	Graduate
	Taylan TURAN	Retail Banking	Graduate
	Ali Batu KARAALI	Treasury and Capital Markets	Graduate
	Neslihan ERKAZANCI	Financial Control	Undergraduate
	Ali Dündar PARLAR	Internal Systems and Regulations	Undergraduate
	Ranjit GOKARN	Technology and Service Groups	Graduate
	Şengül DEMİRCAN	Human Resources	Undergraduate
Audit Committee:	Gilles Paul Marie DENOYEL	Head of the Audit Committee	Graduate
	Mark John THUNDERCLIFFE	Member of the Audit Committee	Undergraduate
	Leyla ETKER	Member of the Audit Committee	Graduate

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

(*) James Emmett appointed as a General Manager and Board Member by the Board Decision which under date of 30 June 2014 and Board Decision no. 13152. He will take Office by means of swear at 1 September 2014.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.1**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

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

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

Name/Commercial Title	Share Amounts (Nominal) (**)	Share Percentages	Paid-in capital (Nominal) (**)	Unpaid Portion
HSBC Bank Plc (*)	652.289.996	% 99,99	652.289.996	-

(*) HSBC Bank Plc is wholly owned by HSBC Holdings Plc and HSBC Holdings Plc is indirect shareholder of the Bank with 99,99% share

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

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

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

- To accept all kinds of deposits both in Turkish Lira and in foreign currency,
- To provide funds in Turkish Lira and foreign exchange, for own use or as an intermediary,
- To launch cash and non-cash loans to all kind of sectors,
- To perform discount and purchase activities,
- To perform capital and security market transactions, to establish and manage security investment funds in accordance with the relevant regulations,
- To invest in both local or foreign companies as founder partner or shareholder, to perform management and auditing process to purchase equities, bonds and other securities,
- To act as an intermediary in issue of the bonds and other marketable 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, Aviva Sigorta, Allianz Sigorta, AIG Sigorta, Ergo Sigorta, Euler Hermes and Anadolu Hayat Emeklilik through its branches and investment intermediary services as an agency of HSBC Yatırım.

As of 30 June 2014, the Bank has 307 branches dispersed throughout the country and 4 branches operating abroad (31 December 2013: 311 branches and 4 branches operating abroad).

As of 30 June 2014, the number of employees of the Bank is 5.690 (31 December 2013: 6.148).

VI. OTHER MATTERS

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

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

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

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

None.

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheets - Assets**
- I. Balance Sheets - Liabilities**
- II. Statements of Off-Balance Sheet Commitments**
- III. Income Statements**
- IV. Statements of Income and Expense Items Recognised Under Shareholders' Equity**
- V. Statements of Changes in Shareholders' Equity**
- VI. Statements of Cash Flows**

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.1

HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2014 AND 31 DECEMBER 2013
(STATEMENT OF FINANCIAL POSITION)
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

I. BALANCE SHEET	Note (Section Five I)	Current Period (30/06/2014)			Prior Period (31/12/2013)		
		ASSETS					
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH CENTRAL BANK	(I-a)	333.273	2.867.853	3.201.126	294.916	3.404.357	3.699.273
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	391.344	294.637	685.981	585.284	1.349.134	1.934.418
2 I Trading Financial Assets		391.344	294.637	685.981	585.284	1.349.134	1.934.418
2 I 1 Government Debt Securities		215.975	6.133	222.108	507.921	9.222	517.143
2 I 2 Share Certificates		-	-	-	-	-	-
2 I 3 Trading Derivative Financial Assets		163.862	288.504	452.366	67.050	1.339.912	1.406.962
2 I 4 Other Marketable Securities		11.507	-	11.507	10.313	-	10.313
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)	683.032	989.110	1.672.142	502.208	1.155.361	1.657.569
IV. MONEY MARKETS		7.992.152	121.940	8.114.092	6.660.942	126.315	6.787.257
4 I Interbank Money Market Placements		-	-	-	-	-	-
4 2 Receivables from Istanbul Stock Exchange Money Market		-	121.940	121.940	-	126.315	126.315
4 3 Receivables from Reverse Repurchase Agreements		7.992.152	-	7.992.152	6.660.942	-	6.660.942
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	626.070	-	626.070	2.249.331	-	2.249.331
5 I Share Certificates		4.225	-	4.225	4.225	-	4.225
5 2 Government Debt Securities		621.845	-	621.845	2.245.106	-	2.245.106
5 3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(I-e)	14.875.709	4.461.580	19.337.289	14.677.457	4.418.822	19.096.279
6 I Loans		14.499.120	4.461.260	18.960.380	14.325.588	4.418.822	18.744.410
6 I 1 Bank's Risk Group		-	46.520	46.520	2.612	11.929	14.541
6 I 2 Government Debt Securities	(VII)	-	-	-	-	-	-
6 I 3 Other		14.499.120	4.414.740	18.913.860	14.322.976	4.406.893	18.729.869
6 2 Loans Under Follow-Up		1.184.980	13.908	1.198.888	1.192.249	14.088	1.206.337
6 3 Specific Provisions (-)		808.391	13.588	821.979	840.380	14.088	854.468
VII. FACTORING RECEIVABLES		52.478	7.263	59.741	46.347	8.752	55.099
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(I-f)	-	-	-	-	-	-
8 I Government Debt Securities		-	-	-	-	-	-
8 2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
9 I 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)	35.023	-	35.023	35.023	-	35.023
10 I Unconsolidated Financial Subsidiaries		34.753	-	34.753	34.753	-	34.753
10 2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
XI. JOINT VENTURES (Net)	(I-i)	-	-	-	-	-	-
11 I 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 I Financial Lease Receivables		-	-	-	-	-	-
12 2 Operating Lease Receivables		-	-	-	-	-	-
12 3 Other		-	-	-	-	-	-
12 4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(I-k)	-	-	-	-	-	-
13 I Fair Value Hedge		-	-	-	-	-	-
13 2 Cash Flow Hedge		-	-	-	-	-	-
13 3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	114.159	-	114.159	130.076	-	130.076
XV. INTANGIBLE ASSETS (Net)	(I-m)	109.794	-	109.794	105.022	-	105.022
15 I Goodwill		83.450	-	83.450	83.450	-	83.450
15 2 Other		26.344	-	26.344	21.572	-	21.572
XVI. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-
XVII. TAX ASSET		86.638	-	86.638	45.773	-	45.773
17 I Current Tax Asset		27.670	-	27.670	46	-	46
17 2 Deferred Tax Asset	(I-o)	58.968	-	58.968	45.727	-	45.727
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	5.705	-	5.705	4.394	-	4.394
18 I Held for sale Purposes		5.705	-	5.705	4.394	-	4.394
18 2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	234.182	13.302	247.484	195.432	233.692	429.124
TOTAL ASSETS		25.539.559	8.755.685	34.295.244	25.532.205	10.696.433	36.228.638

The accompanying explanations and notes set out on pages 13 to 76 form an integral part of these financial statements.

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

HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2014 AND 31 DECEMBER 2013
(STATEMENT OF FINANCIAL POSITION)
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

I. BALANCE SHEET		Note (Section Five II)						
			Current Period (30/06/2014)			Prior Period (31/12/2013)		
			TL	FC	Total	TL	FC	Total
LIABILITIES								
I.	DEPOSITS	(II-a)	10,445,771	8,084,732	18,530,503	10,331,638	7,276,794	17,608,432
I 1	Deposits of Bank's risk group	(VII)	61,237	2,113	63,350	83,859	278	84,137
I 2	Other		10,384,534	8,082,619	18,467,153	10,247,779	7,276,516	17,524,295
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	380,781	101,758	482,539	15,903	1,292,473	1,308,376
III.	BORROWINGS	(II-d)	3,286,173	5,950,231	9,236,404	2,879,677	6,775,237	9,654,914
IV.	MONEY MARKETS		416,385	-	416,385	2,025,576	-	2,025,576
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)	416,385	-	416,385	2,025,576	-	2,025,576
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		492,071	30,178	522,249	528,110	7,935	536,045
VIII.	OTHER LIABILITIES	(II-e)	507,846	67,251	575,097	511,877	45,040	556,917
IX.	FACTORING PAYABLES		577	-	577	-	-	-
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)	2,227	-	2,227	-	-	-
11 1	Fair Value Hedge		-	-	-	-	-	-
11 2	Cash Flow Hedge		2,227	-	2,227	-	-	-
11 3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	PROVISIONS	(II-h)	450,370	1,975	452,345	449,858	2,306	452,164
12 1	General Loan Loss Provision		363,758	-	363,758	347,299	-	347,299
12 2	Restructuring Provisions		-	-	-	-	-	-
12 3	Reserve for Employee Rights		34,249	-	34,249	30,885	-	30,885
12 4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12 5	Other Provisions		52,363	1,975	54,338	71,674	2,306	73,980
XIII.	TAX LIABILITY	(II-i)	47,239	-	47,239	44,006	-	44,006
13 1	Current Tax Liability		47,239	-	47,239	44,006	-	44,006
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)	-	1,040,817	1,040,817	-	1,027,349	1,027,349
XVI.	SHAREHOLDERS' EQUITY	(II-l)	2,988,862	-	2,988,862	3,014,859	-	3,014,859
16 1	Paid-in Capital		652,290	-	652,290	652,290	-	652,290
16 2	Capital Reserves		277,017	-	277,017	245,180	-	245,180
16 2 1	Share Premium		-	-	-	-	-	-
16 2 2	Share Cancellation Profits		-	-	-	-	-	-
16 2 3	Marketable Securities Valuation Differences		4,878	-	4,878	(27,513)	-	(27,513)
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)		(554)	-	(554)	-	-	-
16 2 9	Value increase in property and equipment 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		2,117,311	-	2,117,311	2,087,605	-	2,087,605
16 3 1	Legal Reserves		179,957	-	179,957	178,013	-	178,013
16 3 2	Status Reserves		-	-	-	-	-	-
16 3 3	Extraordinary Reserves		1,939,200	-	1,939,200	1,911,360	-	1,911,360
16 3 4	Other Profit Reserves		(1,846)	-	(1,846)	(1,768)	-	(1,768)
16 4	Income or (Loss)		(57,756)	-	(57,756)	29,784	-	29,784
16 4 1	Prior Years' Income or (Loss)		-	-	-	-	-	-
16 4 2	Current Year Income or (Loss)		(57,756)	-	(57,756)	29,784	-	29,784
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			19,018,302	15,276,942	34,295,244	19,801,504	16,427,134	36,228,638

The accompanying explanations and notes set out on pages 13 to 76 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS AT 30 JUNE 2014 AND 31 DECEMBER 2013
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))**

II. OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period (30/06/2014)			Prior Period (31/12/2013)		
			TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		33,195,959	43,526,671	76,722,630	53,034,610	77,007,722	130,042,332
I.	GUARANTEES AND WARRANTIES	(III-a-2,3)	720,257	2,591,311	3,311,568	425,174	3,220,896	3,646,070
I.1	Letters of Guarantee		720,257	637,607	1,357,864	423,474	716,764	1,140,238
I.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
I.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
I.1.3	Other Letters of Guarantee		720,257	637,607	1,357,864	423,474	716,764	1,140,238
I.2	Bank Acceptances		-	983,350	983,350	-	1,212,692	1,212,692
I.2.1	Import Letter of Acceptance		-	978,043	978,043	-	1,206,906	1,206,906
I.2.2	Other Bank Acceptances		-	5,307	5,307	-	5,786	5,786
I.3	Letters of Credit		-	611,955	611,955	1,700	773,310	775,010
I.3.1	Documentary Letters of Credit		-	452,891	452,891	-	546,207	545,307
I.3.2	Other Letters of Credit		-	159,064	159,064	1,700	228,003	229,703
I.4	Pre-financing Given as Guarantee		-	-	-	-	-	-
I.5	Endorsements		-	-	-	-	-	-
I.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
I.5.2	Other Endorsements		-	-	-	-	-	-
I.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
I.7	Factoring Guarantees		-	-	-	-	-	-
I.8	Other Guarantees		-	351,745	351,745	-	510,061	510,061
I.9	Other Collaterals		-	6,654	6,654	-	8,069	8,069
II.	COMMITMENTS	(III-a-1)	12,896,304	6,351,567	19,247,871	14,138,233	9,379,324	23,517,557
II.1	Irrevocable Commitments		12,896,304	6,351,567	19,247,871	14,138,233	9,379,324	23,517,557
II.1.1	Asset Purchase and Sale Commitments		4,288,326	5,713,603	10,001,929	5,868,259	8,886,247	14,754,506
II.1.2	Deposit Purchase and Sales Commitments		-	634,702	634,702	-	492,890	492,890
II.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
II.1.4	Loan Granting Commitments		661,620	-	661,620	296,202	-	296,202
II.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
II.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
II.1.7	Commitments for Cheques		606,065	-	606,065	609,967	-	609,967
II.1.8	Tax and Fund Liabilities from Export Commitments		4,403	-	4,403	3,931	-	3,931
II.1.9	Commitments for Credit Card Limits		6,309,576	-	6,309,576	6,469,537	-	6,469,537
II.1.10	Commitments for Credit Cards and Banking Services Promotions		16,349	-	16,349	15,465	-	15,465
II.1.11	Receivables From Short Sale Commitments of Marketable Securities		-	1,538	1,538	-	-	-
II.1.12	Payables for Short Sale Commitments of Marketable Securities		-	1,538	1,538	-	-	-
II.1.13	Other Irrevocable Commitments		1,009,965	186	1,010,151	874,872	187	875,059
II.2	Revocable Commitments		-	-	-	-	-	-
II.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
II.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	19,579,398	34,583,793	54,163,191	38,471,203	64,407,502	102,878,705
III.1	Hedging Derivative Financial Instruments		107,400	106,138	213,538	-	-	-
III.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
III.1.2	Transactions for Cash Flow Hedge		107,400	106,138	213,538	-	-	-
III.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
III.2	Trading Transactions		19,471,998	34,477,655	53,949,653	38,471,203	64,407,502	102,878,705
III.2.1	Forward Foreign Currency Buy/Sell Transactions		2,683,476	4,165,843	6,849,319	2,638,403	5,311,616	7,950,019
III.2.1.1	Forward Foreign Currency Transactions-Buy		1,626,770	1,818,580	3,445,350	1,048,572	2,957,750	4,006,322
III.2.1.2	Forward Foreign Currency Transactions-Sell		1,056,706	2,347,263	3,403,969	1,589,831	2,353,866	3,943,697
III.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		15,044,586	27,321,080	42,365,666	32,483,040	46,972,346	79,455,386
III.2.2.1	Foreign Currency Swap-Buy		4,714,568	12,011,379	16,725,947	14,666,978	21,348,422	36,015,400
III.2.2.2	Foreign Currency Swap-Sell		10,330,018	6,177,959	16,507,977	17,816,062	18,160,268	35,976,330
III.2.2.3	Interest Rate Swap-Buy		-	4,565,871	4,565,871	-	3,731,828	3,731,828
III.2.2.4	Interest Rate Swap-Sell		-	4,565,871	4,565,871	-	3,731,828	3,731,828
III.2.3	Foreign Currency Interest rate and Securities Options		1,743,936	2,679,048	4,422,984	3,349,760	4,974,580	8,324,340
III.2.3.1	Foreign Currency Options-Buy		871,968	1,339,524	2,211,492	1,674,880	2,487,290	4,162,170
III.2.3.2	Foreign Currency Options-Sell		871,968	1,339,524	2,211,492	1,674,880	2,487,290	4,162,170
III.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
III.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
III.2.3.5	Securities Options-Buy		-	-	-	-	-	-
III.2.3.6	Securities Options-Sell		-	-	-	-	-	-
III.2.4	Foreign Currency Futures		-	-	-	-	-	-
III.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
III.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
III.2.5	Interest Rate Futures		-	25,474	25,474	-	6,853,314	6,853,314
III.2.5.1	Interest Rate Futures-Buy		-	12,737	12,737	-	3,426,657	3,426,657
III.2.5.2	Interest Rate Futures-Sell		-	12,737	12,737	-	3,426,657	3,426,657
III.2.6	Other		-	286,210	286,210	-	295,646	295,646
IV.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		40,638,710	70,520,552	111,159,262	47,450,381	69,795,710	117,246,091
IV.1	ITEMS HELD IN CUSTODY		11,307,806	1,432,849	12,740,655	16,477,369	1,527,811	18,005,180
IV.1.1	Customer Fund and Portfolio Balances		1,288,799	-	1,288,799	1,402,913	-	1,402,913
IV.1.2	Investment Securities Held in Custody		6,632,875	1,102,545	7,735,420	11,593,752	1,039,432	12,633,184
IV.1.3	Checks Received for Collection		2,042,047	223,078	2,265,125	2,148,173	257,636	2,405,809
IV.1.4	Commercial Notes Received for Collection		87,185	-	87,185	67,060	-	67,060
IV.1.5	Other Assets Received for Collection		-	6,487	6,487	-	6,673	6,673
IV.1.6	Assets Received for Public Offering		-	-	-	-	-	-
IV.1.7	Other Items Under Custody		1,256,900	100,739	1,357,639	1,265,471	224,070	1,489,541
IV.1.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		12,351,986	11,925,017	24,277,003	14,064,235	11,687,638	25,751,873
V.1	Marketable Securities		519,358	12,391	531,749	2,131,837	13,661	2,145,498
V.2	Guarantee Notes		682,846	1,651,049	2,333,895	722,091	1,739,020	2,461,111
V.3	Commodity		1,340	4,658	5,998	1,340	4,703	6,043
V.4	Warranty		-	-	-	-	-	-
V.5	Immovable		8,498,170	2,888,268	11,386,438	8,530,128	3,151,276	11,681,404
V.6	Other Pledged Items		2,650,272	7,368,651	10,018,923	6,778,839	9,457,817	-
V.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		16,978,918	57,162,686	74,141,604	16,908,777	56,580,261	73,489,038
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)			73,834,669	114,047,223	187,881,892	100,484,991	146,803,432	247,288,423

The accompanying explanations and notes set out on pages 13 to 76 form an integral part of these financial statements.

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

HSBC BANK A.Ş.
UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED
30 JUNE 2014 AND 30 JUNE 2013
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

III. STATEMENT OF INCOME

INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Current Period (01/01/2014 - 30/06/2014)	Prior Period (01/01/2013 - 30/06/2013)	Current Period (01/01/2014 - 30/06/2014)	Prior Period (01/01/2013 - 30/06/2013)
I. INTEREST INCOME	(IV-a)	1.319.207	1.135.788	666.855	559.846
1 1 Interest on Loans	(IV-a-1)	932.445	892.683	470.975	439.613
1 2 Interest Received from Reserve Requirements		-	-	-	-
1 3 Interest Received from Banks	(IV-a-2)	54.911	22.712	30.729	10.286
1 4 Interest Received from Money Market Transactions		246.591	55.059	137.143	44.018
1 5 Interest Received from Marketable Securities Portfolio	(IV-a-3)	61.100	144.637	15.291	55.476
1 5 1 Trading Financial Assets		8.712	12.991	2.878	5.348
1 5 2 Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1 5 3 Available-for-sale Financial Assets		52.388	131.646	12.413	50.128
1 5 4 Held to Maturity Investments		-	-	-	-
1 6 Financial Lease Income		-	-	-	-
1 7 Other Interest Income		24.160	20.697	12.717	10.453
II. INTEREST EXPENSE (-)	(IV-b)	714.659	438.640	344.943	221.029
2 1 Interest on Deposits (-)	(IV-b-1)	512.679	278.767	250.921	136.971
2 2 Interest on Funds Borrowed (-)	(IV-b-1)	169.064	145.695	84.528	77.371
2 3 Interest Expense on Money Market Transaction (-)	(IV-b-5)	28.807	9.924	9.219	6.368
2 4 Interest on Securities Issued (-)	(IV-b-3)	-	-	-	-
2 5 Other Interest Expense (-)		4.109	4.254	275	319
III. NET INTEREST INCOME (I + II)		604.548	697.148	321.912	338.817
IV. NET FEES AND COMMISSIONS INCOME		316.786	273.598	162.123	142.019
4 1 Fees and Commissions Received		343.560	301.199	176.108	156.925
4 1 1 Non-cash Loans		10.485	9.296	4.305	3.762
4 1 2 Other		333.075	291.903	171.803	153.163
4 2 Fees and Commissions Paid (-)		26.774	27.601	13.985	14.906
4 2 1 Non-cash Loans (-)		288	284	135	139
4 2 2 Other (-)		26.486	27.317	13.850	14.767
V. DIVIDEND INCOME	(IV-c)	24.385	14.328	-	-
VI. TRADING INCOME/(LOSS) (Net)	(IV-d)	(154.642)	(24.988)	(115.888)	(3.864)
6 1 Trading Gains/(Losses) on Securities		6.226	8.727	14.490	(645)
6 2 Derivative Financial Transactions Gains/(Losses)		(146.906)	(31.701)	(120.339)	(1.259)
6 3 Foreign Exchange Gains/(Losses)		(13.962)	(2.014)	(10.039)	(1.960)
VII. OTHER OPERATING INCOME	(IV-e)	102.406	20.485	24.907	7.806
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		893.483	980.571	393.054	484.778
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	294.269	252.613	120.766	134.076
X. OTHER OPERATING EXPENSES (-)	(IV-g)	667.769	622.218	326.043	311.022
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		(68.555)	105.740	(53.755)	39.680
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-	-	-
XV. INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)		(68.555)	105.740	(53.755)	39.680
XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-h)	10.799	(44.601)	6.774	(24.510)
16 1 Current Tax Provision	(IV-i)	(2.285)	(31.331)	3.174	(14.316)
16 2 Deferred Tax Provision		13.084	(13.270)	3.600	(10.194)
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(IV-j)	(57.756)	61.139	(46.981)	15.170
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18 1 Income from Non-current Assets Held for Resale		-	-	-	-
18 2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
18 3 Other Income From Discontinued Operations		-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19 1 Expenses for Non-current Assets Held for Resale		-	-	-	-
19 2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
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)	(57.756)	61.139	(46.981)	15.170
Earnings/ Loss per Share		(0,000885)	0,000937	(0,000720)	0,000233

The accompanying explanations and notes set out on pages 13 to 76 form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE IN NOTE 3.1

HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY AS
AT 30 JUNE 2014 AND 30 JUNE 2013

(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	Current Period (30/06/2014)	Prior Period (30/06/2013)
I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	40.489	(72.648)
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)	(693)	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	-	-
IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES	(7.959)	14.530
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	31.837	(58.118)
XI. CURRENT YEAR PROFIT/LOSS	(57.756)	61.139
11.1 Net change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	(2.501)	410
11.2 Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	-	-
11.3 Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4 Other	(55.255)	60.729
XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	(25.919)	3.021

The accompanying explanations and notes set out on pages 13 to 76 form an integral part of these financial statements.

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UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2013
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
	30 June 2013	Note Section (Trs)	Paid-Up Capital	Adjustment to Net Capital	Share Premium	Share Capital Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible and Intangible Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Foreign Held for Sale/Dis- posed	Total Equity
I.	Balances at the Beginning of the Period		652,290	-	-	-	175,911	-	1,732,644	272,693	188,796	-	35,769	-	-	-	-	3,854,135
II.	Corrections According to Turkish Accounting Standard No. 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balance (a1)		652,290	-	-	-	175,911	-	1,732,644	272,693	188,796	-	35,769	-	-	-	-	3,854,135
IV.	Changes in the Period																	
IV	Increase/Decrease due to the Merger																	
V.	Marketable Securities Valuation Differences												(58,110)					(58,110)
VI.	Hedging Transactions Funds (Effective Parts)																	
6.1	Cash Flow Hedge																	
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 in the Bank's Equity																	
XIV.	Capital Increase																	
14.1	Cash Increase																	
14.2	Internal Resources																	
XV.	Share Premiums																	
XVI.	Share Cancellation Profits																	
XVII.	Paid in-Capital Adjustment Difference																	
XVIII.	Other																	
XIX.	Current Year Income or Loss																	
XX.	Profit Distribution																	
20.1	Dividend Paid						2,102	-	178,696	-	61,139	-	-	-	-	-	-	61,139
20.2	Transfers to Reserves						2,102	-	178,696	-	(188,796)	-	-	-	-	-	-	-
20.3	Other						-	-	-	-	(110,796)	-	-	-	-	-	-	-
	Balance at the end of the period (III+IV+V+...+XVIII+XIX+XX)		652,290	-	-	-	178,013	-	1,911,340	272,693	61,139	-	(22,349)	-	-	-	-	3,854,146

The accompanying explanations and notes set out on pages 13 to 76 form an integral part of these financial statements.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED AT 30 JUNE 2014
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The accompanying explanations and notes set out on pages 13 to 76 form an integral part of these financial statements.

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UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 JUNE 2014 AND 30 JUNE 2013
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period (30/06/2014)	Prior Period (30/06/2013)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		253,020	391,462
1.1.1 Interest received		1 373 647	1 037 806
1.1.2 Interest paid		(639 968)	(408 190)
1.1.3 Dividend received		24 385	14 328
1.1.4 Fees and commissions received		343 560	301 199
1.1.5 Other income		102 406	20 485
1.1.6 Collections from previously written-off loans and other receivables		89 290	61 549
1.1.7 Payments to personnel and service suppliers		(301 323)	(271 847)
1.1.8 Taxes paid		(38 850)	(75 323)
1.1.9 Other		(700 127)	(288 545)
1.2 Changes in operating assets and liabilities		(469,536)	4,360,031
1.2.1 Net (decrease)/increase in trading securities		319 028	108 653
1.2.2 Net increase/(decrease) in fair value through profit/loss financial assets		-	-
1.2.3 Net increase/(decrease) in banks		15 999	192 781
1.2.4 Net increase/(decrease) in loans		(407 646)	(2 238 924)
1.2.5 Net increase/(decrease) in other assets		656 846	(495 233)
1.2.6 Net increase/(decrease) in bank deposits		(512 137)	(27 993)
1.2.7 Net (decrease)/increase in other deposits		1 417 694	849 794
1.2.8 Net (decrease)/increase in funds borrowed		(463 353)	4 410 781
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net (decrease)/increase in other liabilities		(1 495 967)	1 560 172
I. Net cash provided from banking operations		(216,516)	4,751,493
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		1,583,467	510,193
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		(5 320)	(15 651)
2.4 Disposals of property and equipment		1 089	1 642
2.5 Cash paid for purchase of investments available-for-sale		(3 237 535)	(3 928 750)
2.6 Cash obtained from sale of investments available-for-sale		4 835 751	4 456 598
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		(10 518)	(3 646)
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		14,867	17,520
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		1,381,818	5,279,206
VI. Cash and cash equivalents at beginning of the period		8,875,532	3,191,816
VII. Cash and cash equivalents at end of the period		10,257,350	8,471,022

The accompanying explanations and notes set out on pages 13 to 76 form an integral part of these financial statements.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The unconsolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Retention of Documents" ("Regulation") published in the Official Gazette No. 26333 dated 1 November 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Turkish Accounting Standard Boards ("TASB") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish accounting Standards" or "TAS") published by the Turkish Accounting Standards Board ("TASB"), and other regulations, communiqués and circular announced by the Banking Regulation and Supervision Board and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles. The format and the details of the publicly announced unconsolidated financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012, additions and changes in the related to communiqué.

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no: 1 of the 2499 numbered Law on establishment of TASB has been abrogated and Public Oversight, Accounting and Auditing Standards Association ("Board") has been established. Financial Statements has been prepared based on Turkish Accounting Standards / Turkish Financial Reporting Standards and additions and comments ("TAS/TFRS") related to this which are become effective by Public Oversight, Accounting and Auditing Standards Association.

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

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

The 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 Bank.

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

The accounting policies and valuation principles applied in the preparation of 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.

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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

The Bank applies sophisticated methods of the Group in daily market risk managing and control activities. In measuring the market risk and determining limits, with historical simulation method "Value at Risk" ("VaR") approach is being applied. For the portfolios which are subject to market risk; product and portfolio based interest rate, 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.

Product and portfolio based various yield curve scenarios, 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.

These analyses, limit usages and controls are being discussed in monthly Asset-Liability committee meetings and developing decisions are being made. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing. Gains and losses arising from such valuations are 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 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Bank has no investments in associates as of 30 June 2014. Investments in subsidiaries are accounted in accordance with the "Turkish Accounting Standard on Financial Instruments: Recognition and Measurement" ("TAS 39") in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiaries of the Bank are "HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş." and "HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş.". HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on 10 December 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide transfer, hospitality, pass port, catering, housing, parking, private waiting room and transportation services in railroad, land, sea, airport passenger lounges either to its clients or all real or legal persons. HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş. was established on 13 January 2005 in order to provide information and telecommunication services.

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(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 Bank conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Bank conducts interest futures, 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 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.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognised on an accrual basis using the effective interest rate method.

VI. EXPLANATIONS ON FEE AND COMMISSIONS 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 Bank categorizes its financial assets as "Fair value through profit/loss", "Available-for-sale", "Held-to-maturity" and "Loans and receivables". Financial assets mentioned above are recognised at the transaction date. The appropriate classification of financial assets of the Bank is determined at the 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 average price comprising in the active market is used and the gains and losses generated is recognised 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 Fund" 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 fund. 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 Bank by providing money, services or goods to borrowers are categorized as loans and receivables. Loans and receivables originated by the Bank are recognised at the amortised cost value calculated using the effective interest rate method.

The Bank 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 Bank 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 derecognized 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 recognized 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 recognized in the income statement. As of 30 June 2014 and 31 December 2013, the Bank has no investment securities held-to-maturity.

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VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

In each balance sheet date, the Bank assesses if there is an objective evidence of the impairment of financial assets or financial asset groups. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial assets or group of financial asset 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.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the 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 Bank 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 2014 and 31 December 2013, funds given against securities purchased under agreements to resell ("Reverse repos") are accounted under "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 Bank has no securities lending transactions. The Bank has amounting to USD 50.000 cash as of 30 June 2014 that the Bank has given as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş. (As of 31 December 2013 the Bank has given government bonds as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş TL 50.000 nominal).

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

As of 30 June 2014 and 31 December 2013, the Bank 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 1 November 2006, No. 26333 and classified as assets held for sale.

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

The Bank purchased Benkar 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 and, amortised with 10% of amortization rate using the straight-line method. With 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 financial statements are prepared based on the Turkish Accounting Standards. Goodwill is tested annually or more frequently when there are indicators for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36").

Amortization of the other intangible fixed assets are based on the useful lives and amortised between the rates of 10% and 33,3% using the straight-line method.

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 purchased after 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%, furniture at rate 20%, and other tangible assets at rates ranging from 2% to 33%. The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item will remain in property and equipment. Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its net sales revenue. Repair and maintenance expenses in order to increase the useful life of the property and equipment are capitalized, other repair and maintenance costs are 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 Bank 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.

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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 Bank has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

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 Bank. 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 Bank has become probable, then the contingent asset is disclosed in the footnotes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the 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 Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 3,81% (31 December 2013: 4,18%).

As of 30 June 2014, actuarial difference amounted to TL 1.846 (31 December 2013: TL 1.768) is recognized under prior years' income 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 Bank 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 non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the corporate tax rate of the related years. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Companies file their tax returns until the 25th day of the following forth 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

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

c. Transfer Pricing:

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

XIX. EXPLANATIONS ON BORROWING

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the financial statements enclosed, foreign currency borrowings are translated according to the Bank's period end counter buying exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the financial statements. The Bank has no marketable securities issued as of 30 June 2014 and 31 December 2013. As of 30 June 2014 and 31 December 2013, the Bank has no issued convertible bonds.

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XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 30 June 2014 and 31 December 2013, the Bank 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 GRANTS

As of 30 June 2014 and 31 December 2013, the Bank has no government grants.

XXIII. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note X of Section Four.

XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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

XXV. EARNINGS PER SHARE

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

	Current Period 30 June 2014	Prior Period 30 June 2013
Net Profit/(Loss) for the Period	(57.756)	61.139
Number of Shares	65 229 000 000	65 229 000 000
Earnings per Share (*)	(0,000885)	0,000937

(*) Amounts are expressed in full TL.

XXVI. CASH AND CASH EQUIVALENTS

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

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XXVII. RELATED PARTIES

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

XXVIII. RECLASSIFICATIONS

There are no adjustments to the prior year financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 30 June 2014 and 31 December 2013 financials.

XXIX. OTHER MATTERS

None.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL POSITION

I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO

- a. As of 30 June 2014, the Bank's capital adequacy ratio is 14,88 % (31 December 2013: 14,92 %). This rate is higher than the minimum rate required by the related regulation.

- b. Risk measurement methods for the calculation of the capital adequacy ratio:

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette dated 28 June 2012 numbered 28337 and the "Communiqué on Equities of Banks" published on 1 November 2006 in the Official Gazette numbered 26333. Standard method is used for the calculation of market risk and basic indicator method is used for the calculation of operational risk.

Capital adequacy ratio is calculated based on total capital requirements needed for credit risk, market risk and operational risk. Credit risk is calculated by holding risk-weighted assets and non-cash loans subject to risk-weights in the relevant legislation and taking risk mitigation techniques into account. The following tables show the details of risk-weighted assets which constitute the basis for the Group's and the Parent Bank's capital adequacy ratio and equity calculations.

As of 31 December 2013, Comprehensive Financial Collateral method was introduced instead of Simple Financial Collateral method.

- c. Information related to capital adequacy ratio:

	30 June 2014 Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	4.227.532	-	1.046.092	2.968.774	6.268.798	11.992.804	1.234.049	1.751.860	4.220
Risk Classes									
Claims on sovereigns and Central Banks	3.551.454	-	-	25	-	-	110.791	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	1.046.092	1.173.445	-	260.647	4.112	-	-
Claims on corporate	162.760	-	-	-	-	10.333.292	-	-	-
Claims included in the regulatory retail portfolios	66.171	-	-	-	6.268.798	902.946	-	-	-
Claims secured by residential property	-	-	-	1.790.322	-	-	-	-	-
Past due loan	650	-	-	4.982	-	290.966	84.118	-	-
Higher risk categories decided by the Board	50.928	-	-	-	-	-	1.035.028	1.751.860	4.220
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	395.569	-	-	-	-	204.953	-	-	-

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	31 December 2013								
	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	6.358.555	-	950.371	3.477.785	5.883.598	12.068.009	1.119.870	2.109.883	60.113
Risk Classes									
Claims on sovereigns and Central Banks	5.561.087	-	-	-	-	-	109.479	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	950.348	1.685.901	-	194.943	1.414	-	-
Claims on corporate	249.563	-	-	-	-	10.171.927	-	-	-
Claims included in the regulatory retail portfolios	40.117	-	-	-	5.883.598	1.217.410	-	-	-
Claims secured by residential property	-	-	-	1.786.684	-	-	-	-	-
Past due loan	150	-	-	5.200	-	273.818	75.020	-	-
Higher risk categories decided by the Board	45.557	-	-	-	-	-	933.957	2.109.883	60.113
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	462.081	-	23	-	-	209.911	-	-	-

d. Summary information related to unconsolidated capital adequacy ratio:

	Current Period 30 June 2014	Prior Period 31 December 2013
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	1.900.268	1.956.762
Capital obligation for market risk (II)	61.073	90.220
Capital obligation for operational risk (III)	245.937	222.947
Shareholders' Equity	4.104.570	4.232.559
Shareholders' Equity / ((I+II+III)*12,5*100)	14,88	14,92
Core Capital/((I+II+III) *12,5*100)	10,38	(*)
Tier I Capital/((I+II+III) *12,5*100)	10,38	(*)

(*) Equity calculation has been changed with "Regulation on Equity of Banks" which has become effective as of 1 January 2014. The information which presented as prior period calculated in accordance with the abrogated Regulation.

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders' equity items (*):

	Current Period
TIER I CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	2.391.850
Other Comprehensive Income according to TAS	2.478
Profit	(57.756)
Net Current Period Profit	(57.756)
Prior Period Profit	-
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
Tier I Capital Before Deductions	2.988.862
Deductions From Tier I Capital	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-
Leasehold Improvements on Operational Leases (-)	16.165
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	108.441
Net Deferred tax assets / liabilities (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
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 (-)	-
Total regulatory adjustments to Tier I capital	124.606
Tier I capital	2.864.256
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)	-

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Additional Core Capital before Deductions	-
Deductions from Additional Core Capital	-
Direct and Indirect Investments of the Bank on its own Additional Core 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 (-)	-
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 Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
Total Deductions from Additional Core Capital	-
Total Additional Core Capital	-
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 (-)	-
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 (-)	-
Total Core Capital	2.864.256
TIER II CAPITAL	
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)	-
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	1.014.606
General Provisions	296.917
Tier II Capital before Deductions	1.311.523
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II 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 (-)	-
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 (-)	60.172
Total Deductions from Tier II Capital	60.172
Total Tier II Capital	1.251.351
CAPITAL	4.115.607
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	227
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 (-)	145
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	10.665
Other items to be Defined by the BRSA (-)	-

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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 (-)

EQUITY

4.104.570

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 Tier I Capital
Remaining Mortgage Servicing Rights
Net Deferred Tax Assets arising from Temporary Differences
Net Deferred Tax Assets arising from Temporary Differences

(*) Equity calculation has been changed with "Regulation on Equity of Banks" which has become effective as of 1 January 2014. The information which presented as prior period calculated in accordance with the abrogated Regulation.

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders' equity items (Continued)

	Prior Period 31 December 2013
CORE CAPITAL	
Paid-in Capital	652.290
Nominal Capital	652.290
Capital Commitments (-)	-
Adjustment to Paid-in Capital	-
Share Premium	-
Share Cancellation Profit	-
Legal Reserves	2.087.605
Adjustments to Legal Reserves	272.693
Profit	29.784
Net Current Period Profit	29.784
Prior Period Profit	-
Provision for Possible Losses up to 25% of Core Capital	-
Gain on sale of associates, subsidiaries and buildings	-
Primary Subordinated Loans	-
Loss that is not covered with reserves (-)	-
Net Current Period Loss	-
Prior Period Loss	-
Development cost of operating lease (-)	18.380
Intangible Assets (-)	105.022
Deferred-Asset for tax which exceeds 10% of core capital (-)	-
Excess Amount expressed in the Law (Article 56, 3 rd paragraph) (-)	-
Total Core Capital	2.918.970

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders' equity items (Continued)

	Prior Period 31 December 2013
SUPPLEMENTARY CAPITAL	
General provisions	347.299
45% of increase in revaluation fund of securities	-
45% of increase in revaluation fund of real estate	-
Bonus shares from associates, subsidiaries and joint ventures that is not recognized in profit	-
Amounts not included in core capital for primary subordinated loans	-
Secondary subordinated loans	994.057
45% of value increase fund of financial assets available for sale and associates and subsidiaries (*)	(27.513)
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-
Total Supplementary Capital	1.313.843
CAPITAL	4.232.813
DEDUCTIONS FROM CAPITAL	254
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-
Loans extended being noncompliant with articles 50 and 51 of the Law	99
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	149
Securitisation positions that is deducted -preferably- from the shareholders' equity	-
Other	6
TOTAL SHAREHOLDERS' EQUITY	4.232.559

(*) In prior period, in case marketable securities value increase fund was positive 45%, if it was negative, all of them were included in calculation.

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

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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II. EXPLANATIONS ON CREDIT RISK

- a. In credit risks there are no specific limitations for a specific geographical region. However, if there will be a risk which is effecting a specific region then the necessary limitation shall be applied and the necessary action shall be taken in order to revaluation of the risk. Risk monitoring and sectoral based customer group limitations are conducted. The limitations which are determined for a specific risk group are determined in accordance with Banking Regulation and other relevant regulations. Loan usages are monitored instantly by the system. The credits depending on a risk group are also evaluated in the consolidated financial tables. Loan proposal are considered once in a year, however, for the loans under follow-up are considered in every 3 or 6 months.

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

- b. When evaluated together with the financial operations of other financial institutions as an active participant in international banking market and when it is considered that a significant portion of the loan portfolio of the Bank consists of retail loans, it is thought that there is no significant level of loan risk concentration.
- c. The Bank provided a general provision amounting to TL 363.758 (31 December 2013: TL 347.299).

III. EXPLANATION ON MARKET RISK

- a. **Whether the Bank within the financial risk management objectives hedges itself against market risk, the precautions taken by the Board of Directors for market risk, the methods used for measuring market risk and time intervals for measurement of market risk:**

The Bank applies the advanced methods applied by the HSBC Group daily in order to manage and control the market risk. For risk measurement and limit determination, Value at Risk approach with historical simulation method is used. For the portfolios that are subject to market risk, product and portfolio based on monthly and daily maximum loss limits regarding the interest rate, currency and stock certificate price risks, Value at Risk limits, prompt limits and size limits are applied. The usage of limits are monitored through various control points and reported to the top management daily. Risk monitoring and control activities are conducted by independent departments.

Sensitivity to volatility in the interest rates of the assets and liabilities which are sensitive to interest rates are analyzed by "Present Value Basis Point" method and interest risks are managed accordingly with related limits.

Besides controlling market risk, in regard to monitoring and managing the market risk, product and portfolio based yield curve scenarios, stress scenarios, liquidity, gap and volatility analysis are conducted. Through this analysis, it is aimed to be prepared and making fast decisions in regard to the targeted profitability and potential risks.

Operation limits is calculated considering change of price-ratio (Currency risk, Interest risk), volatility, present value basis points ("PVPB"), correlation risk and market liquidity risk which are main components of market risk. VaR analyses, stress tests and scenario tests are implemented continuously. These tests aim to determine that intended profit and potential risk parameters are matching.

Market potentials are overseen continuously for risk reducing positions, protective operations against risk and insurance operations if necessary. Foreign currency and total liquidity ratio, VaR and PVPB limits and excess of limit, internal capital requirement and results of stress test are reported monthly to Top Management and Market Risk Committee.

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III. EXPLANATIONS ON MARKET RISK (Continued)

b. Information on Market Risk:

	30 June 2014 Balance	31 December 2013 Balance
(I) Capital obligation for general market risk	22.408	28.494
(II) Capital obligation for specific risk	4.676	4.194
Capital obligation for specific risk in securitisation positions- Standard Method		
Capital obligation – Standard Method	-	-
(III) Capital obligation for currency risk	8.438	5.348
(IV) Capital obligation for stocks	-	-
(V) Capital obligation for clearing risk	-	-
(VI) Total capital obligation for market risk because of options	48	85
(VII) Capital obligation for counterparty credit risk - Standard Method	25.503	52.099
(VIII) Capital obligation for general market risk	-	-
(IX) Total capital obligation for market risk (I+II+III+IV+V+VI+VII)	61.073	90.220
(X) Amount subject to market risk (12,5 x VIII) or (12,5 x IX)	763.413	1.127.750

c. Average market risk table related to unconsolidated market risk calculated by the end of month in current period:

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. Informations on counterparty risks:

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 OPERATIONAL RISK

The Bank is monitoring operational risks through area of activity basis and generating a loss database. Reporting mechanism regarding the operational risks has been generated and business units have adopted the loss reporting concept where the losses realised or fixed when noticed. Therefore, key risk indicators are generated and new control points about the processes can be determined.

The amount subject to the operational risk is calculated through the use of the gross income of the Bank in 2013, 2012 and 2011 in accordance to the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio" published in the Official Gazette No.28337 dated 28 June 2012. In the scope of "Capital adequacy ratio" stated in Note I of this section, amount subjected to operational risk is TL 3.074.214 represented risk weighted assets for operational risk and 8% of that amount is TL 245.937 represented related capital requirement.

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V. EXPLANATIONS ON CURRENCY RISK

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

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

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

The Bank, as a general principle does not carry any foreign currency position, by hedging its foreign currency positions with derivative products. 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 paragraph.

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

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

Current Period - 30 June 2014	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	2 1227	2 9005
27 June 2014	2 1270	2 8992
26 June 2014	2 1310	2 8957
25 June 2014	2 1310	2 9057
24 June 2014	2 1313	2 9021
23 June 2014	2 1380	2 9049

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

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

As of June 2014, the Bank's simple arithmetic average foreign exchange rates for USD is TL 2,1185 (December 2013: TL 2,0659) and exchange rates for Euro TL 2,8801 (December 2013: TL 2,8312).

f. Information related to Bank's Currency Risk:

Current Period - 30 June 2014	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	872.680	1.394.003	601.170	2.867.853
Banks	33.987	923.293	31.830	989.110
Financial Assets at Fair Value through Profit or Loss (Net)	81.360	206.378	6.899	294.637
Interbank Money Market Placements	121.822	118	-	121.940
Financial Assets Available-for-Sale (Net)	-	-	-	-
Loans (*)	2.612.129	3.359.038	54.041	6.025.208
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Investments Held-to-Maturity (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	3.873	5.305	977	10.155
Total Assets	3.725.851	5.888.135	694.917	10.308.903
Liabilities				
Bank Deposits	78.327	21.270	44	99.641
Foreign Currency Deposits	2.005.168	4.950.646	1.029.277	7.985.091
Funds from Interbank Money Market	-	-	-	-
Borrowings	1.913.427	5.063.290	14.331	6.991.048
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	20.433	9.412	333	30.178
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	75.817	46.274	48.893	170.984
Total Liabilities	4.093.172	10.090.892	1.092.878	15.276.942
Net on Balance Sheet Position	(367.321)	(4.202.757)	(397.961)	(4.968.039)
Net Off-Balance Sheet Position	348.518	4.132.394	658.985	5.139.897
Financial Derivative Assets	2.660.793	13.770.869	1.044.234	17.475.896
Financial Derivative Liabilities	2.312.275	9.638.475	385.249	12.335.999
Non-cash Loans	358.698	2.171.577	61.036	2.591.311
Prior Period - 31 December 2013				
Total Assets	4.434.095	7.330.937	658.335	12.423.367
Total Liabilities	4.922.906	9.975.874	1.528.354	16.427.134
Net on-Balance Sheet Position	(488.811)	(2.644.937)	(870.019)	(4.003.767)
Net off-Balance Sheet Position	463.517	2.672.452	878.232	4.014.201
Financial Derivative Assets	4.560.759	24.745.972	1.764.437	31.071.168
Financial Derivative Liabilities	4.097.242	22.073.520	886.205	27.056.967
Non-cash Loans	390.831	2.763.226	66.839	3.220.896

(*) As of 30 June 2014, loans consists of foreign indexed loans amounting to TL 1.556.365 (31 December 2013: TL 1.728.042) and foreign factoring receivables amounting to TL 7.263 (31 December 2013: TL 8.752).

(**) As of 30 June 2014, other assets do not consist of prepaid expenses amounting to TL 3.147 (31 December 2013: TL 1.108).

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

As of 30 June 2014 and 31 December 2013, if bank's foreign currency position had depreciated by 10% against TL with all other variables held constant, the expected changes in profit before tax and equity mainly as a result of foreign exchange losses are disclosed as following:

	Current Period – 30 June 2014		Prior Period – 31 December 2013	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	(7.036)	(7.036)	2.752	2.752
Euro	(1.880)	(1.880)	(2.529)	(2.529)
Other	26.102	26.102	821	821
Total	17.186	17.186	1.044	1.044

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

As of 30 June 2014 and 31 December 2013, as a result of 10 % appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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VI. EXPLANATIONS ON INTEREST RATE RISK

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates:

Current Period - 30 June 2014	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	-	-	-	-	-	3 201 126	3 201 126
Banks	1 510 769	-	21 343	-	-	140 030	1 672 142
Financial Assets at Fair Value Through Profit or Loss (Net)	63 978	290 487	229 310	77 882	12 817	11 507	685 981
Interbank Money Market Placements	8 114 092	-	-	-	-	-	8 114 092
Financial Assets Available-for-Sale (Net)	28 961	397 574	195 310	-	-	4 225	626 070
Loans (*)	5 900 527	2 458 209	5 510 495	3 887 306	1 263 584	376 909	19 397 030
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	598 803	598 803
Total Assets	15.618.327	3.146.270	5.956.458	3.965.188	1.276.401	4.332.600	34.295.244
Liabilities							
Bank Deposits	101 658	2 144	2 092	-	-	53 848	159 742
Other deposits	4 345 500	9 654 459	1 041 819	117 261	-	3 211 722	18 370 761
Funds from Interbank Money Market	416 385	-	-	-	-	-	416 385
Miscellaneous Payables	-	-	-	-	-	522 249	522 249
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	5 143 644	1 955 800	2 922 149	229 417	26 211	-	10 277 221
Other Liabilities (**)	30 480	241 060	125 635	737 365	27 476	3 386 870	4 548 886
Total Liabilities	10.037.667	11.853.463	4.091.695	1.084.043	53.687	7.174.689	34.295.244
Balance Sheet Long Position	5 580.660	-	1 864 763	2 881 145	1 222 714	-	11 549 282
Balance Sheet Short Position	-	(8 707 193)	-	-	-	(2 842 089)	(11 549 282)
Off Balance Sheet Long Position	21 433	-	33 898	4 340	-	-	59 671
Off Balance Sheet Short Position	-	(161 926)	-	-	-	-	(161 926)
Total Position	5.602.093	(8.869.119)	1.898.661	2.885.485	1.222.714	(2.842.089)	(102.255)

(*) Loans consist of factoring transactions amounting to TL 59,741.

(**) Shareholders' equity is presented under "Other liabilities" item in "Non interest bearing"

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period - 31 December 2013	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years Non Interest and Over	Bearing	Total
Assets							
Cash Equivalents and Central Bank	-	-	-	-	-	3,699,273	3,699,273
Banks	438,749	1,035,753	22,644	-	-	160,423	1,657,569
Financial Assets at Fair Value Through Profit or Loss (Net)	718,431	508,480	647,910	38,756	10,528	10,313	1,934,418
Interbank Money Market Placements	6,787,257	-	-	-	-	-	6,787,257
Financial Assets Available-for-Sale (Net)	463,858	1,024,165	757,083	-	-	4,225	2,249,331
Loans (*)	6,581,481	3,777,988	3,080,286	4,042,951	1,316,803	351,869	19,151,378
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	749,412	749,412
Total Assets	14,989,776	6,346,386	4,507,923	4,081,707	1,327,331	4,975,515	36,228,638
Liabilities							
Bank Deposits	594,337	2,111	6,125	-	-	69,282	671,855
Other deposits	11,201,423	2,096,684	448,296	18,971	-	3,171,203	16,936,577
Funds from Interbank Money Market	2,025,576	-	-	-	-	-	2,025,576
Miscellaneous Payables	-	-	-	-	-	536,045	536,045
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	4,524,409	1,774,937	4,171,351	211,566	-	-	10,682,263
Other Liabilities (**)	288,617	495,664	492,859	701,751	4,388	3,393,043	5,376,322
Total Liabilities	18,634,362	4,369,396	5,118,631	932,288	4,388	7,169,573	36,228,638
Balance Sheet Long Position	-	1,976,990	-	3,149,419	1,322,943	-	6,449,352
Balance Sheet Short Position	(3,644,586)	-	(610,708)	-	-	(2,194,058)	(6,449,352)
Off Balance Sheet Long Position	108,797	-	-	497	-	-	109,294
Off Balance Sheet Short Position	-	(135,942)	(122,029)	-	-	-	(257,971)
Total Position	(3,535,789)	1,841,048	(732,737)	3,149,916	1,322,943	(2,194,058)	(148,677)

(*) Loans consist of factoring receivables amounting to TL 55,099.

(**) 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 2014	Euro	US Dollar	Yen	TL
Assets	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	1,15	-	9,49
Financial Assets at Fair Value Through Profit or Loss (Net)	4,94	7,08	-	10,27
Interbank Money Market Placements	1,25	-	-	9,83
Financial Assets Available-for-Sale (Net)	-	-	-	7,80
Loans	4,54	3,83	-	11,35
Investments Held-to-Maturity (Net)	-	-	-	-
Liabilities				
Bank Deposits	0,50	0,20	-	8,83
Other Deposits	1,48	1,60	1,58	9,80
Funds From Interbank Money Market	-	-	-	4,85
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	1,58	0,52	-	8,71

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period - 31 December 2013	Euro	US Dollar	Yen	TL
Assets	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	1,20	-	7,64
Financial Assets at Fair Value Through Profit or Loss (Net)	5,83	7,58	-	7,42
Interbank Money Market Placements	1,40	1,55	-	7,75
Financial Assets Available-for-Sale (Net)	-	-	-	8,29
Loans	4,52	3,85	-	11,65
Investments Held-to-Maturity (Net)	-	-	-	-
Liabilities				
Bank Deposits	-	0,37	-	8,27
Other Deposits	1,57	1,84	1,94	8,12
Funds From Interbank Money Market	-	-	-	4,29
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	1,24	0,61	2,00	8,49

VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

c. Interest rate risk on banking book:

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

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

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

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

30 June 2014	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(420.667)	(10,25)%
%2. TL	(400)	435.169	10,60 %
3. EUR	200	79.719	1,94%
4. EUR	(200)	(11.162)	(0,27)%
5. USD	200	23.924	0,58%
6. USD	(200)	2.156	0,05%
Total (of negative shocks)		426.163	10,38%
Total (of positive shocks)		(317.024)	(7,73)%

31 December 2013	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(414.036)	(9,78)%
2. TL	(400)	427.651	10,10%
3. EUR	200	18.440	0,44%
4. EUR	(200)	(3.419)	(0,08)%
5. USD	200	(700)	(0,02)%
6. USD	(200)	6.984	0,17%
Total (of negative shocks)		431.216	10,19%
Total (of positive shocks)		(396.296)	(9,36)%

d. Position risk of equity securities in banking book:

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

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.

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VII. EXPLANATIONS ON LIQUIDITY RISK

- a. **Basis for the current liquidity risk of the Bank and the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:**

Liquidity risk is managed through considering factors such as, cash flows expected at the relevant period of time, credit quality of the assets in the balance sheet, deposit extensity/quality and various loss possibilities. As a principle, conservative liquidity reserve is maintained.

For various liquidity crisis scenarios, liquidity crisis management methods are prepared as ready to use.

- b. **Consistency of payments with the assets and liabilities and the interest rates, and the probable effects of the actual inconsistency on profitability:**

Since the Bank is pricing its liabilities faster than its assets, the Bank is positively affected from the decreases in the general rate of interests and negatively affected from increases in the general rate of interests. These effects are managed through the pre- determined limits.

- c. **Internal and external sources for short and long-term liquidity needs of the Bank, unused significant liquidity sources:**

The Bank acts conservative on foreign currency liquidity management and in order to meet liquidity needs completely, maintains adequate reserves. When uncertainty in the markets increases the conservativeness level increases as well. For using in various crisis scenarios the Bank maintains its borrowing potential and examining its borrowing potential from both domestic and abroad financial institutions.

- d. **Evaluation of amount and sources of the Bank's cash flows:**

As mentioned above, the Bank has sufficient cash and cash inflow to supply its cash outflow literally and on time.

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

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

Current Period - 30 June 2014	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated (*)	Total
Assets								
Cash Equivalents and Central Bank	478 673	2 722 453	-	-	-	-	-	3 201 126
Banks	140 030	1 510 769	-	21 343	-	-	-	1 672 142
Financial Assets at Fair Value through Profit or Loss (Net)	11 507	56 548	105 315	129 596	240 719	142 296	-	685 981
Interbank Money Market Placements	-	8 114 092	-	-	-	-	-	8 114 092
Financial Assets Available-for-Sale (Net)	-	28 795	232 475	195 152	165 268	155	4 225	626 070
Loans (*)	-	5 436 349	2 853 032	4 032 924	5 131 491	1 566 325	376 909	19 397 030
Investments Held-to-maturity (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	127 697	-	9 439	28 283	-	433 384	598 803
Total Assets	630 210	17 996 703	3 190 822	4 388 454	5 565 761	1 708 776	814 518	34 295 244
Liabilities								
Bank Deposits	53 848	101 658	2 144	2 092	-	-	-	159 742
Other Deposits	3 211 722	4 345 500	9 654 459	1 041 819	117 261	-	-	18 370 761
Funds Borrowed	-	4 036 307	656 952	2 543 955	1 999 189	1 040 818	-	10 277 221
Funds from Interbank Money Market	-	416 385	-	-	-	-	-	416 385
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	359 373	95 291	67 459	126	-	-	522 249
Other Liabilities (***)	-	30 480	241 060	202 581	637 835	50 060	3 386 870	4 548 886
Total Liabilities	3 265 570	9 289 703	10 649 906	3 857 906	2 754 411	1 090 878	3 386 870	34 295 244
Net Liquidity Gap	(2 635 360)	8 707 000	(7 459 084)	530 548	2 811 350	617 898	(2 572 352)	-
Prior Period - 31 December 2013								
Total Assets	621 518	16 981 689	4 574 948	5 108 662	6 032 371	1 936 577	972 873	36 228 638
Total Liabilities	3 240 485	17 622 545	3 438 349	4 128 286	3 372 186	1 033 744	3 393 043	36 228 638
Net Liquidity Gap	(2 618 967)	(640 856)	1 136 599	980 376	2 660 185	902 833	(2 420 170)	-

(*) As of 30 June 2014, loans include the factoring receivables amounting to TL 59 741 (31 December 2013: TL 55 099).

(**) 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 loans under follow-up, are classified in this column.

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

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

f. Explanations on securitization positions:

None.

g. Explanations on credit risk mitigation techniques:

Bank does not perform net-off of balance sheet and off-balance sheet items in credit risk mitigation.

The monetary collaterals are included in the process of credit risk mitigation with their current value as of reporting date. The legal validity of the real estate mortgages are provided with timely and duly registry of the collaterals. The changes in market conditions that will be important are monitored.

In terms of credit risk mitigation bank uses cash, government and treasury bonds and debt instrument with high credit quality as collateral type. Mortgages on dwelling and commercial real estate reported under different risk class are other main types of collaterals.

The volatility adjustments regarding the receivables, collaterals and currency mismatch of the collaterals are made as per the standard volatility-adjustment approach defined in the article 37 of the above mentioned regulation.

Risk Classifications- 30 June 2014	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	3 662 270	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2 798 213	-	-	-
Conditional and unconditional receivables from Corporates	11 598 122	175 294	-	-
Conditional and unconditional retail receivables	13 394 676	79 659	-	-
Conditional and unconditional receivables secured by Mortgages	1 823 381	-	-	-
Past due receivables	380 716	650	-	-
Receivables defined in high risk category by BRSA	2 842 036	50 928	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	600 522	-	-	-
Total	37,099,936	306,531	-	-

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VIII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

g. Explanations on credit risk mitigation techniques

Risk Classifications- 31 December 2013	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	5 671 300	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3 171 335	-	-	-
Conditional and unconditional receivables from Corporates	11 403 379	264 372	-	-
Conditional and unconditional retail receivables	13 174 990	48 466	-	-
Conditional and unconditional receivables secured by Mortgages	1 820 378	-	-	-
Past due receivables	354 188	150	-	-
Receivables defined in high risk category by BRSA	3 149 526	45 557	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	672 016	-	-	-
Total	39,417,112	358,545	-	-

h. Risk management objectives and policies:

The principal aim of Risk Management Policy is that requirement and functional of Risk Management Policy are explained and applied effectively which are the establishment of a risk management in accordance with legal regulations and carrying out risk management activities in an integrated manner banking activities.

Risk Management is an integral part of banking activities. Risk Management Policy has determined responsibilities that are related to risks for HSBC employee and aimed to create awareness against the risks.

Risk Management Policy has aimed to identify activities related to risk management principles and procedures and organization within the Bank.

The objective of the Risk Management system is to provide with risk-return structure of future cash flows that is depend on following, controlling, and changing as if qualification and level of activities, to be defined, measured, monitored and controlled through policies, procedures and limits established within consolidated and unconsolidated basis.

This policy is evaluated to adapt to sufficiency of changing conditions by Board of Directors and Audit Committee and reflected necessary changes to policy.

Board of Directors approve policy that related to risk management activities, examine implementation of it as periodically and take measures to set up and continue the establishment of a risk management system in accordance with the Bank's regulations.

Market, Credit, Operational risks and related other all risks are evaluated by Risk Management Committee. The Committee makes the evaluation Capital Plan and Limits of Risk. The Committee determines policy that contains risk policy and guides the solution of problems. It evaluates current and potential risks according to environmental impact that changing rapidly.

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

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 ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS

None.

X. EXPLANATIONS ON OPERATING SEGMENTS

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Current Period					
Operating Income	597.904	258.039	37.540	-	893.483
Other	-	-	-	-	-
Operating Income	597.904	258.039	37.540	-	893.483
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(116.829)	47.877	397	-	(68.555)
Profit before Tax	(116.829)	47.877	397	-	(68.555)
Corporate Tax Provision (*)	-	-	-	10.799	10.799
Profit after Tax	(116.829)	47.877	397	10.799	(57.756)
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(116.829)	47.877	397	10.799	(57.756)
Segment Assets	10.289.491	9.344.189	14.626.541	-	34.260.221
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	10.289.491	9.344.189	14.661.294	270	34.295.244
Segment Liabilities	18.815.657	5.979.172	9.500.415	-	34.295.244
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	18.815.657	5.979.172	9.500.415	-	34.295.244
Other Segment Items	(306.132)	(3.684)	(1.333)	-	(311.149)
Capital Investment	-	-	-	-	-
Amortization	(19.645)	(3.684)	(1.329)	-	(24.658)
Impairment	-	-	(4)	-	(4)
Non-Cash Other Income-Expense (**)	(286.487)	-	-	-	(286.487)

(*) Corporate tax provision is not distributed.

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

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X. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Prior Period					
Operating Income (**)	559.367	246.059	175.145	-	980.571
Other (**)	-	-	-	-	-
Operating Income (**)	559.367	246.059	175.145	-	980.571
Segment Net Profit (**)	-	-	-	-	-
Undistributed Cost (**)	-	-	-	-	-
Operating Profit (**)	(88.693)	51.380	143.053	-	105.740
Profit before Tax (**)	(88.693)	51.380	143.053	-	105.740
Corporate Tax Provision (*) (**)	-	-	-	(44.601)	(44.601)
Profit after Tax (**)	(88.693)	51.380	143.053	(44.601)	61.139
Non-Controlling Interest (**)	-	-	-	-	-
Net Profit for the Period (**)	(88.693)	51.380	143.053	(44.601)	61.139
 Segment Assets	 10.306.985	 10.944.349	 14.942.281	 -	 36.193.615
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	10.306.985	10.944.349	14.977.034	270	36.228.638
Segment Liabilities	16.723.922	6.566.962	12.937.754	-	36.228.638
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	16.723.922	6.566.962	12.937.754	-	36.228.638
 Other Segment Items (**)	 9.017	 (4.451)	 (4.469)	 -	 97
Capital Investment	-	-	-	-	-
Amortization	(21.594)	(4.451)	(845)	-	(26.890)
Impairment	-	-	(3.624)	-	(3.624)
Non-Cash Other Income-Expense(***)	30.611	-	-	-	30.611

(*) Corporate tax provision is not distributed.

(**) Items of income and expense are the amounts for the three month period ended 30 June 2013.

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

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SECTION FIVE

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

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

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

	Current Period 30 June 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Cash/Foreign Currency	250.194	132.841	227.581	142.946
The CBRT	83.079	2.722.478	67.313	3.248.491
Other (*)	-	12.534	22	12.920
Total	333.273	2.867.853	294.916	3.404.357

(*) As of 30 June 2014, account of Precious Metal is amounting to TL 12.252, Money in Transit is amounting to TL 282 respectively (31 December 2013: Precious metal TL 12.920, Money in Transit: None).

2. Information related to balances with the CBRT:

	Current Period 30 June 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Unrestricted Demand Deposit	83.079	25	67.313	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Account	-	-	-	-
Reserve Requirements	-	2.722.453	-	3.248.491
Total	83.079	2.722.478	67.313	3.248.491

3. Explanation on reserve deposits:

The banks operating in Turkey are subject to the Central Bank of the Republic of Turkey's Communiqué numbered 2005/1 "deposits" 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 2014, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 5% - 11,50% (31 December 2013: 5% - 11.50%), for TL deposits and other liabilities, and between 6% - 13% for FC deposits (31 December 2013: 6% - 13%).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

As of 30 June 2014, the Bank has no financial assets at fair value through profit or loss given as collateral/blocked (31 December 2013: None).

As of 30 June 2014, the Bank has financial assets at fair value through profit or loss subject to repurchase agreement amounting to TL 130.430 (31 December 2013: TL 392.839).

As of 30 June 2014, the Bank has financial assets at fair value through profit or loss in unrestricted account amounting to TL 103.185 (31 December 2013: TL 134.617).

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

	Current Period 30 June 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Forward Transactions	35.022	42.670	6.610	194.630
Swap Transactions	128.840	230.278	60.440	1.037.613
Futures Transactions	-	-	-	16
Options	-	15.556	-	107.653
Other	-	-	-	-
Total	163.862	288.504	67.050	1.339.912

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 June 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Banks				
Domestic	640.098	892.023	461.344	1.035.814
Foreign	42.934	97.087	40.864	119.547
Foreign Head Office and Branches	-	-	-	-
Total	683.032	989.110	502.208	1.155.361

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, net values:

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

As of 30 June 2014, the Bank has financial assets available for sale given as collateral/blocked amount to TL 326.619 (31 December 2013: TL 501.618).

As of 30 June 2014 the Bank has financial assets available for sale amounting to TL 286.582 subject to repurchase agreement (31 December 2013: TL 1.659.680).

As of 30 June 2014 the Bank has financial assets available for sale in unrestricted account amounting to TL 12.869 (31 December 2013: TL 88.033).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Current Period 30 June 2014	Prior Period 31 December 2013
Debt Securities	628.613	2.268.948
Quoted to Stock Exchange	628.613	2.268.948
Not Quoted	-	-
Share Certificate	4.225	4.225
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.225	4.225
Impairment Provision (-)	6.768	23.842
Total	626.070	2.249.331

(*) The balance of Kredi Garanti Fonu and Borsa İstanbul is security representing a capital share and classified in financial assets available for sale

c. Information related to loans:

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

	Current Period 30 June 2014		Prior Period 31 December 2013	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	3.282	168.730	2.532	199.765
Corporate Shareholders	3.282	168.730	2.532	199.765
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	43.884	463.750	11.984	460.588
Loans Granted to Employees	29.489	-	31.931	-
Total	76.655	632.480	46.447	660.353

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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 Extensions	Other		Payment Plan Extensions	Other
Non-specialised Loans	17.493.607	795.431	-	567.799	163.284	-
Commercial Loans	6.972.518	611.672	-	213.019	135.084	-
Export Loans	1.043.776	96.707	-	14.184	9.717	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	180.976	-	-	-	-	-
Consumer Loans	4.815.143	42.414	-	104.879	14.329	-
Credit Cards	3.749.216	-	-	211.638	-	-
Other (*)	731.978	44.638	-	24.079	4.154	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
	17.493.607	795.431	-	567.799	163.284	-

(*) Includes the factoring receivables amounting to TL 59.741.

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	776.838	162.932
Extended by 3, 4 or 5 times	8.318	-
Extended by more than 5 times	10.275	352

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 – 6 Months	86.288	12.112
6 – 12 Months	424.381	14.817
1 – 2 Years	135.254	75.442
2 – 5 Years	132.853	59.492
5 years or more	16.655	1.421

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.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	109.416	4.561.687	4.671.103
Mortgage Loans	596	1.589.525	1.590.121
Automotive Loans	-	9.093	9.093
Consumer Loans	108.820	2.963.069	3.071.889
Other	-	-	-
Consumer Loans- Indexed to FC	-	9.334	9.334
Mortgage Loans	-	9.334	9.334
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.738.358	175.252	3.913.610
Instalment	1.479.594	175.252	1.654.846
Non Instalment	2.258.764	-	2.258.764
Individual Credit Cards-FC	8.962	-	8.962
Instalment	-	-	-
Non Instalment	8.962	-	8.962
Personnel Loans-TL	1.245	19.539	20.784
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.245	19.539	20.784
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	8.637	-	8.637
Instalment	4.045	-	4.045
Non Instalment	4.592	-	4.592
Personnel Credit Cards-FC	68	-	68
Instalment	-	-	-
Non Instalment	68	-	68
Overdraft Account-TL (Individual)	275.544	-	275.544
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	4.142.230	4.765.812	8.908.042

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	46.555	595.971	642.526
Mortgage Loans	-	5.164	5.164
Automotive Loans	20	12.916	12.936
Consumer Loans	46.535	577.891	624.426
Other	-	-	-
Commercial Instalment Loans- Indexed to FC	23.503	351.343	374.846
Mortgage Loans	-	15.286	15.286
Automotive Loans	-	7.202	7.202
Consumer Loans	23.503	328.855	352.358
Other	-	-	-
Commercial Instalment Loans-FC	3.438	-	3.438
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	3.438	-	3.438
Other	-	-	-
Corporate Credit Cards-TL	28.662	19	28.681
Instalment	7.746	19	7.765
Non Instalment	20.916	-	20.916
Corporate Credit Cards-FC	896	-	896
Instalment	-	-	-
Non Instalment	896	-	896
Overdraft Account-TL (Commercial)	81.740	-	81.740
Overdraft Account-FC (Commercial)	-	-	-
Total	184.794	947.333	1.132.127

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. Domestic and foreign loans:

	Current Period 30 June 2014	Prior Period 31 December 2013
Domestic Loans	18.654.340	18.403.993
Foreign Loans	365.781	395.516
Total	19.020.121	18.799.509

(*) Includes the factoring receivables amounting to TL 59.741 (31 December 2013: TL 55.099).

8. Loans granted to investments in associates and subsidiaries:

	Current Period 30 June 2014	Prior Period 31 December 2013
Direct Loans Granted to Associates and Subsidiaries	-	55
Indirect Loans Granted to Associates and Subsidiaries	-	-
Total	-	55

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

9. Specific provisions for loans:

	Current Period 30 June 2014	Prior Period 31 December 2013
Loans and Receivables with Limited Collectability	35 185	26 964
Loans and Receivables with Doubtful Collectability	120 789	110 370
Uncollectible Loans and Receivables	666 005	717 134
Total	821.979	854.468

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 2014	24	7.028	21.204
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	24	7.028	21.204
Rescheduled Loans and Other Receivables	-	-	-
Prior Period: 31 December 2013	7.130	7.644	17.910
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	7.130	7.644	17.910
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
Prior Period Balances at the End of the 31 December 2013	151.285	254.591	800.461
Additions (+)	338.067	390	20.156
Transfers from Other Categories of Non-Performing Loans (+)	1.156	279.457	243.323
Transfers to Other Categories of Non-Performing Loans (-)	281.447	240.686	1.802
Collections (-)	20.863	35.637	32.790
Write-offs (*) (-)	-	-	276.773
Corporate and Commercial Loans	-	-	85.161
Retail Loans	-	-	47.861
Credit Cards	-	-	143.751
Other	-	-	-
Balance at the End of the Period: 30 June 2014	188.198	258.115	752.575
Specific Provisions (-)	35 185	120 789	666 005
Net Balance on Balance Sheet	153.013	137.326	86.570

(*) It also includes individual loans amounting to TL 191.612 and Corporate – Commercial loans under follow-up amounting to TL 85.161 which are sold.

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I. EXPLANATIONS AND NOTES RELATED TO 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 2014			
Balance at the End of the Period	-	-	13.908
Specific Provisions (-)	-	-	13.588
Net Balance on Balance Sheet	-	-	320
Prior Period: 31 December 2013			
Balance at the End of the Period	-	-	14.088
Specific Provisions (-)	-	-	14.088
Net Balance on Balance Sheet	-	-	-

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 2014	153.013	137.326	86.570
Loans granted to corporate entities and real persons (Gross)	188.198	258.115	741.120
Specific Provisions Amount (-)	35.185	120.789	654.550
Loans granted to corporate entities and real persons (Net)	153.013	137.326	86.570
Banks (Gross)	-	-	11.455
Specific Provisions Amount (-)	-	-	11.455
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): 31 December 2013	124.321	144.221	83.327
Loans granted to corporate entities and real persons (Gross)	151.285	254.591	788.718
Specific Provisions Amount (-)	26.964	110.370	705.391
Loans granted to corporate entities and real persons (Net)	124.321	144.221	83.327
Banks (Gross)	-	-	11.743
Specific Provisions Amount (-)	-	-	11.743
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 judgment are taken. In case of obtaining no result in consequence of these actions, liquidation subject to requirements within the framework of legal regulations designated by the bank's top management occurs.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

12. Information on the write-off policy of the 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 given as collateral/blocked and subject to repurchase agreements and those:

As of 30 June 2014 and 31 December 2013, the Bank 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 2014 and 31 December 2013 the Bank has no investments as government debt securities held to maturity

3. Information on investments held-to-maturity:

As of 30 June 2014 and 31 December 2013, the Bank has no investments held to maturity.

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

As of 30 June 2014 and 31 December 2013, the Bank has no investments of held to maturity movement.

g. Information on investments in associates (Net):

The Bank has no investments in associates as of 30 June 2014 and 31 December 2013.

h. Information on subsidiaries (Net):

1. Information on unconsolidated/subsidiaries:

a) Unconsolidated subsidiaries:

Title	Address (City / Country)	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 HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	96,00	4,00

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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	6.609	6.418	81	121	-	1.320	1.084	-
2	59	58	-	-	-	(19)	(14)	-

(*) Prepared with the audited financial statements as of 31 December 2013.

(**) The prior period balances represent the amounts as of 31 December 2012.

2. Information on the consolidated subsidiaries:

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

a) Consolidated subsidiaries:

Title	Adress (City/Country)	Bank's share percentage - If different voting percentage (%)	Bank's risk group share percentage (%)
1 HSBC Yatırım ve Menkul Değerler A.Ş.	Esenyurt Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	99.87	0.13

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	93.936	74.444	1.997	2.018	1.932	11.546	10.432	-

(*) Prepared with the audited financial statements as of 30 June 2014.

(**) The prior period balances represent the amounts as of 30 June 2013.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

3. Movement schedule of the consolidated subsidiaries:

	Current Period 30 June 2014	Prior Period 31 December 2013
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:

Subsidiaries	Current Period 30 June 2014	Prior Period 31 December 2013
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

5. Subsidiaries quoted on a stock exchange:

The Bank has no subsidiaries quoted on a stock exchange as of 30 June 2014 and 31 December 2013.

i. Information on jointly controlled entities:

1. The Bank has no jointly controlled entities as of 30 June 2014 and 31 December 2013.
2. As of 30 June 2014 and 31 December 2013, the accounting method is not determined since the Bank has no jointly controlled entities.

j. Information on finance lease(Net):

As of 30 June 2014 and 31 December 2013, the Bank has no finance lease.

k. Information on hedging derivative financial assets:

As of 30 June 2014 and 31 December 2013, the Bank has no hedging derivative financial assets.

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

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. Information 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. Information on the investment properties:

As of 30 June 2014 and 31 December 2013, the Bank has no investment properties.

o. Information on deferred tax asset:

As of 30 June 2014 deferred tax asset of the Bank is TL 58.968 (31 December 2013: TL 45.727). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

There are no temporary differences which were not subject to deferred tax assets and do not recognized in balance sheet.

There is no impairment provision for deferred tax.

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

As of 30 June 2014, assets held for sale of the Bank is TL 5.705 (31 December 2013: TL 4.394).

r. Information on other assets:

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

2. Other assets of the balance sheet consist of the debited suspense accounts amounting to TL 160.768 (31 December 2013: TL 120.311), the prepaid expenses amounting to TL 71.937 (31 December 2013: TL 63.194), other rediscount income amounting to TL 10.531 (31 December 2013: TL 21.729), miscellaneous receivables amounting to TL 3.641 (31 December 2013: TL 223.108), and other assets amounting to TL 607 (31 December 2013: TL 782).

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

As of 30 June 2014 and 31 December 2013, the Bank has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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II. EXPLANATIONS AND NOTES TO THE LIABILITIES

a. Information on deposits

1. Information on maturity structure of the deposits:

There are no deposits on 7 days notification and cumulative deposits.

1(i). Current Period - 30 June 2014:

	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	590.862	-	1.401.528	5.166.355	654.043	256.634	78.971	-	8.148.393
Foreign Currency Deposits	1.638.054	-	1.814.565	3.693.723	264.129	127.161	131.345	-	7.668.977
Residents in Turkey	1.377.341	-	1.705.898	3.142.060	183.474	77.081	53.969	-	6.539.823
Residents Abroad	260.713	-	108.667	551.663	80.655	50.080	77.376	-	1.129.154
Public Sector Deposits	229.261	-	-	-	-	-	-	-	229.261
Commercial Deposits	460.108	-	1.092.496	381.372	19.952	15.148	9.543	-	1.978.619
Other Institutions Deposits	12.412	-	4.373	11.682	767	120	43	-	29.397
Precious Metal Deposit	281.025	-	-	29.363	3.791	1.935	-	-	316.114
Bank Deposits	53.848	-	101.658	2.144	-	2.092	-	-	159.742
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	22	-	101.658	2.144	-	2.092	-	-	105.916
Foreign Banks	53.826	-	-	-	-	-	-	-	53.826
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.265.570	-	4.414.620	9.284.639	942.682	403.090	219.902	-	18.530.503

1(ii). Prior Period - 31 December 2013:

	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	606.109	-	1.312.181	4.562.799	363.814	137.308	77.930	-	7.060.141
Foreign Currency Deposits	1.536.074	-	1.662.428	2.806.446	327.557	105.074	233.004	-	6.670.583
Residents in Turkey	1.296.344	-	1.562.464	2.304.453	227.925	48.986	144.342	-	5.584.514
Residents Abroad	239.730	-	99.964	501.993	99.632	56.088	88.662	-	1.086.069
Public Sector Deposits	96.604	-	44	-	-	-	-	-	96.648
Commercial Deposits	538.847	-	1.698.101	386.923	10.725	16.669	3.155	-	2.654.420
Other Institutions Deposits	10.618	-	16.631	10.877	146	131	3.622	-	42.025
Precious Metal Deposit	382.951	-	-	22.819	4.091	2.899	-	-	412.760
Bank Deposits	69.282	-	594.337	2.111	2.035	4.090	-	-	671.855
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	543	-	587.961	2.111	2.035	4.090	-	-	596.740
Foreign Banks	68.739	-	6.376	-	-	-	-	-	75.115
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.240.485	-	5.283.722	7.791.975	708.368	266.171	317.711	-	17.608.432

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

2. Information on saving deposits insurance:

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period 30 June 2014	Prior Period 31 December 2013	Current Period 30 June 2014	Prior Period 31 December 2013
Saving Deposits	4.361.121	3.906.478	3.581.796	2.958.546
Foreign Currency Saving Deposits	1.594.971	1.308.845	3.586.423	2.613.550
Other Deposits in the Form of Saving Deposits	28.445	87.189	92.583	270.009
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	216.159	207.860	251.072	225.306
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	6.200.696	5.510.372	7.511.874	6.067.411

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

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

	Current Period 30 June 2014	Prior Period 31 December 2013
Foreign Branches' Deposits and other accounts	251.072	225.306
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their worship	-	-
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 worship	8.276	6.503
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26/09/2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 30 June 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Forward Transactions	21.263	15.013	-	110.518
Swap Transactions	359.518	70.337	15.903	1.073.901
Future Transactions	-	11	-	20
Options	-	16.397	-	108.034
Other	-	-	-	-
Total	380.781	101.758	15.903	1.292.473

c. Information on repurchase agreements:

As of 30 June 2014, the Bank has repurchase agreements amounting to TL 416.385 (31 December 2013: 2.025.576).

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 30 June 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	13.686	2.290	11.950	2.160
Foreign Banks, Institutions and Funds	3.272.487	5.947.941	2.867.727	6.773.077
Total	3.286.173	5.950.231	2.879.677	6.775.237

2. Information on maturity structure of funds borrowed:

	Current Period 30 June 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Short-term	1.890.662	2.738.658	1.051.729	4.033.348
Medium and Long-term	1.395.511	3.211.573	1.827.948	2.741.889
Total	3.286.173	5.950.231	2.879.677	6.775.237

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

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. Information on other liabilities:

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

f. Information on financial leasing agreements:

a) Information on obligations under financial leases:

None (31 December 2013: None).

b) Information on financial lease:

The 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. In accordance with that payment is accounted under prepaid expenses of "Other Assets" account.

Leasing debts due to operational lease transactions presented below:

	Current Period 30 June 2014	Prior Period 31 December 2013
Less Than 1 Year	52.093	68.694
Between 1-4 Years	86.404	131.350
More Than 4 Years	23.525	14.415
Total	162.022	214.459

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

g. Information on derivative financial liabilities for hedging purposes:

	Current Period 30 June 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Fair value hedges	-	-	-	-
Cash flow hedges	2.227	-	-	-
Net foreign investment hedges	-	-	-	-
Total	2.227	-	-	-

h. Information on provisions:

1. Information on general provisions:

	Current Period 30 June 2014	Prior Period 31 December 2013
General Provisions	363.758	347.299
Provisions for First Group Loans and Receivables	264.266	258.374
- Additional Provision for Loans and Receivables with Extended Maturities	31.062	27.798
Provisions for Second Group Loans and Receivables	25.877	18.616
- Additional Provision for Loans and Receivables with Extended Maturities	7.004	2.581
Provisions for Non-Cash Loans	33.682	37.958
Other	1.867	1.972

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

As of 30 June 2014, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 14.785 (31 December 2013: TL 42.839), is offset with the balance of foreign currency indexed loans.

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

As of 30 June 2014, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 888 (31 December 2013: TL 3.126).

4. Information on other provisions:

4 (i). Information on general provisions for possible risks:

As of 30 June 2014 and 31 December 2013, the Bank has no general provisions for possible risks.

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

Provision for overdraft checks that are submitted in time amounting to TL 27.674 (31 Aralık 2013: TL 26.036), provision for accumulated credit card bonus amounting to TL 11.543 (31 December 2013: TL 16.408), provisions for checks under follow-up amounting to TL 2.765 (31 December 2013: TL 3.203), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 888 (31 December 2013: TL 3.126), and other provision amounting to TL 11.468 (31 December 2013: TL 25.207) are classified under other provisions.

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

i. Explanations on tax liability:

4.Explanations on current tax liability:

The tax calculation of the Bank is explained in Note XVIII of Section Three.

1(i). Information on taxes payable:

	Current Period 30 June 2014	Prior Period 31 December 2013
Corporate Taxes Payable	-	-
Taxation on Marketable Securities	14.832	12.354
Capital Gains Tax on Property	1.252	1.115
Banking Insurance Transaction Tax (BITT)	13.673	12.459
Foreign Exchange Transaction Tax	13	14
Value Added Tax Payable	1.643	951
Other (*)	8.359	9.473
Total	39.772	36.366

(*) As of 30 June 2014, consists of payroll tax amounting to TL 7.323 (31 December 2013: TL 8.582), self-employed income tax amounting to TL 7 (31 December 2013: TL 8), stamp tax amounting to TL 266 (31 December 2013: TL 295) and other taxes amounting to TL 763 (31 December 2013: TL 588).

1(ii). Information on premium payables:

	Current Period 30 June 2014	Prior Period 31 December 2013
Social Security Premiums – Share	3.307	3.367
Social Security Premiums – Share	3.501	3.594
Bank Social Aid Pension Fund Premium – Share	-	-
Bank Social Aid Pension Fund Premium – Share	-	-
Pension Fund Membership Fees and Provisions – Share	-	-
Pension Fund Membership Fees and Provisions – Share	-	-
Unemployment Insurance – Share	204	225
Unemployment Insurance – Share	455	454
Other	-	-
Total	7.467	7.640

5.Information on deferred tax liability:

As of 30 June 2014, the Bank has no deferred tax liability (31 December 2013: None). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

j. Information on liabilities for asset held for sale and related to discontinued operations:

As of 30 June 2014 and 31 December 2013, the Bank has no liabilities for asset held for sale and related to discontinued operations.

k. Explanations on the number, maturity, interest rate, borrower of subordinated loans used by the Bank and if exists option for convertible to shares:

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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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

I. Information on shareholder's equity:

1. Presentation of paid-in capital:

	Current Period 30 June 2014	Prior Period 31 December 2013
Common Stock Provision	-	-
Preferred Stock Provision	652 290	652 290

Amount of paid-in capital has presented in notional amount. As of 30 June 2014, the Bank has TL 272.693 capital reserve due to adjustment of the paid-in capital for inflation.

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.

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

Registered share capital system is not applied.

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

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

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

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

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

The Bank has no capital commitments.

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

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

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

All shares of the Bank consisting of Group "A" and "B" are held by foreign shareholder and all members of the Board of Directors are selected from among the candidates to be suggested by the Group "A" share certificate holders.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

8. Information on marketable securities value increase fund:

	Current Period 30 June 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Jointly Controlled Entities	-	-	-	-
Valuation Difference	4.878	-	(27.513)	-
Translation Difference	-	-	-	-
Total	4.878	-	(27.513)	-

9. Information on revaluation value increase fund:

As of 30 June 2014 and 31 December 2013, the Bank has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period 30 June 2014	Prior Period 31 December 2013
First Legal Reserve	134.513	132.569
Second Legal Reserve	45.444	45.444
Legal Reserves according to Special Legislation	-	-
Total	179.957	178.013

11. Information on extraordinary reserves:

	Current Period 30 June 2014	Prior Period 31 December 2013
Reserves Allocated per General Assembly Minutes	1.841.356	1.846.131
Retained Earnings	97.844	65.229
Accumulated Loss	-	-
Translation Difference	-	-
Total	1.939.200	1.911.360

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

All shares of the Bank are held by 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 OFF-BALANCE SHEET ACCOUNTS

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

As of 30 June 2014, the Bank has amounting to irrevocable commitments TL 19.247.871 (31 December 2013: TL 23.517.557).

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

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

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

As of 30 June 2014, the Bank has letter of credit amounting to TL 1.357.864 (31 December 2013: TL 1.140.238), acceptances amounting to TL 983.350 (31 December 2013: TL 1.212.692) and commitments and contingencies due to letter of credit amounting to TL 611.955 (31 December 2013: TL 775.010) as of 30 June 2014. Also the Bank has other commitments and contingencies amounting to TL 358.399 (31 December 2013: TL 518.130).

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

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

3. Information on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 30 June 2014	Prior Period 31 December 2013
Non-Cash Loans Given for Cash Loan Risks	3.351	3.383
With Original Maturity of One Year or Less	3.351	3.383
With Original Maturity of More than One Year	-	-
Other Non-Cash Loans	3.308.217	3.642.687
Total	3.311.568	3.646.070

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".

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

b. Explanations on derivative transactions:

As of 30 June 2014, the Bank has forward transactions amounting to TL 6.849.319 (31 December 2013: 7.950.019 TL), currency swap amounting to TL 33.447.462 (31 December 2013: TL 71.991.730), currency option amounting to TL 4.422.984 (31 December 2013: TL 8.324.340), interest rate swap amounting to TL 9.131.742 (31 December 2013: TL 7.463.656), precious metal option amounting to TL 24.170 (31 Aralık 2013: 48.736 TL), interest rate future amounting to TL 25.474 (31 December 2013: TL 6.853.314), precious metal swap amounting to TL 262.040 (31 December 2013: 246.910). As of 30 June 2014 and 31 December 2013, the Bank has no interest rate option. Transactions to decrease foreign currency and interest rate risk have been classified trading derivative financial instrument or hedging derivative financial instruments and valued with their fair value by the Bank.

1. Cash Flow Hedge Accounting:

The 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. The Bank applies effectiveness test in any balance sheet date. 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. As of 30 June 2014, swaps amounting to TL 213.538 (31 December 2013: None) were subjected to cash flow hedge accounting as hedging instrument. After such hedge accounting, fair value losses before tax amounting to TL 693 (31 December 2013: None) are recognized under shareholders' equity in the current period. As of 30 June 2014, there is no ineffective portion as a result of effectiveness tests (31 December 2013: None).

c. Explanations on credit derivatives and risk arising due to them:

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 2014, 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 Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 June 2014, the total amount of these lawsuits filed against the Bank is TL 26.998 (31 December 2013: TL 14.861). A provision of TL 4.414 (31 December 2013: TL 2.536) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favour.

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

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

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IV. EXPLANATIONS AND NOTES TO INCOME STATEMENT

a. Information on interest income:

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

	Current Period 30 June 2014		Prior Period 30 June 2013	
	TL	FC	TL	FC
Short-term Loans	438 279	23 644	446 304	19 984
Medium and Long-Term Loans	387 635	72 269	359 933	56 331
Interest on Loans Under Follow-Up Premiums Received from the Resource Utilization Support Fund	10 618	-	9 998	133
	-	-	-	-
Total	836.532	95.913	816.235	76.448

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

2. Information on interest income received from banks:

	Current Period 30 June 2014		Prior Period 30 June 2013	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	49 668	4 409	20 912	1 068
From Foreign Banks	405	429	603	129
Headquarters and Branches Abroad	-	-	-	-
Total	50.073	4.838	21.515	1.197

3. Information on interest income on marketable securities:

	Current Period 30 June 2014		Prior Period 30 June 2013	
	TL	FC	TL	FC
Financial Assets Held For Trading	8 530	182	12 695	296
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	52 388	-	131 646	-
Investments Held to Maturity	-	-	-	-
Total	60.918	182	144.341	296

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

As of 30 June 2014 and 30 June 2013, the Bank has no interest income received from investments in associates and subsidiaries.

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

b. Information on interest expense:

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

	Current Period 30 June 2014		Prior Period 30 June 2013	
	TP	YP	TP	YP
Banks	100.509	68.555	95.617	50.078
The CBRT	-	-	-	-
Domestic Banks	600	38	552	68
Foreign Banks	99.909	68.517	95.065	50.010
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	100.509	68.555	95.617	50.078

(*) Fee and commission expense from cash loans is included.

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

	Current Period 30 June 2014	Prior Period 30 June 2013
Interest Expenses Given to Subsidiaries and Associates	1.467	536

3. Information on interest expense given on securities issued:

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. Maturity structure of the interest expense on deposits:

Current Period: 30 June 2014	Demand Deposit	Time Deposit					Total	Up to 1 Month
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	1.648	1.649	-	1.648	-	-	4.945
Saving deposits	-	70.221	233.974	29.022	6.400	2.681	-	342.298
Public sector deposits	-	2	-	-	-	-	-	2
Commercial deposits	-	80.615	24.458	4.694	1.058	428	-	111.253
Other deposits	-	964	2.266	424	5	2	-	3.661
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	153.450	262.347	34.140	9.111	3.111	-	462.159
Foreign Currency								
Foreign currency deposits	-	9.924	33.224	3.604	1.044	2.244	-	50.040
Interbank deposits	-	286	-	-	-	-	-	286
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	159	15	20	-	-	194
Total	-	10.210	33.383	3.619	1.064	2.244	-	50.520
Grand Total	-	163.660	295.730	37.759	10.175	5.355	-	512.679

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

Current Period: 30 June 2013	Demand Deposit	Time Deposit					Total	Up to 1 Month
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	1.696	-	-	264	-	-	1.960
Saving deposits	-	10.972	130.234	26.748	9.276	3.787	-	181.017
Public sector deposits	-	1	5	-	-	-	-	6
Commercial deposits	-	46.692	3.394	631	153	128	-	50.998
Other deposits	-	534	731	26	9	-	-	1.300
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	59.895	134.364	27.405	9.702	3.915	-	235.281
Foreign Currency								
Foreign currency deposits	-	8.723	26.614	3.944	1.374	2.477	-	43.132
Interbank deposits	-	354	-	-	-	-	-	354
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	9.077	26.614	3.944	1.374	2.477	-	43.486
Grand Total	-	68.972	160.978	31.349	11.076	6.392	-	278.767

5. Information on interest given on repurchase agreement:

The Bank has interest given on repurchase agreement amounting to TL 28.807 (30 June 2013: TL 9.924) during the three month period ended on 30 June 2014.

6. Information on finance lease expense:

The Bank has no finance lease expense during the three month period ended on 30 June 2014 and 30 June 2013.

7. Information on interest given on factoring payables:

The Bank has no interest given on factoring payables during the three month period ended on 30 June 2014 and 30 June 2013.

c. Explanations on dividend income:

The share of the Bank in the dividend distribution of HSBC Yatırım is TL 24.385 during the period ended on 30 June 2014 (30 June 2013: TL 14.328).

d. 1. Information on trading income/loss (net):

	Current Period 30 June 2014	Prior Period 30 June 2013
Profit	36.352.584	15.510.845
Capital Market Transactions Income	20.125	14.119
Gain on Derivative Financial Transactions	6.785.940	431.089
Foreign Exchange Gains	29.546.519	15.065.637
Loss (-)	36.507.226	15.535.833
Capital Market Transactions Loss	13.899	5.392
Loss on Derivative Financial Transactions	6.932.846	462.790
Foreign Exchange Loss	29.560.481	15.067.651
Total (Net)	(154.642)	(24.988)

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

2. Information on derivative instruments gain/loss:

	Current Period 30 June 2014	Prior Period 30 June 2013
Effect of the change in exchange rates on profit/loss	(45.380)	79.991
Effect of the change in interest rates on profit/loss	(101.526)	(111.692)
Total (Net)	(146.906)	(31.701)

e. Information on other operating income:

As of 30 June 2014, other operating income consists of reversal of the previous year provision amounting to TL 58.387 (30 June 2013: TL 5.428), gain on sale of receivables under follow-up amounting to TL 27.896 (30 June 2013: None), provision for telecommunication expense amounting to TL 1.200 (30 June 2013: TL 1.724), gain on sale of assets amounting to TL 407 (30 June 2013: TL 737) and other income amounting to TL 14.516 (30 June 2013: TL 12.596).

f. Provision expenses related to loans and other receivables of the Bank:

	Current Period 30 June 2014	Prior Period 30 June 2013
Specific Provisions for Loans and Other Receivables	274.019	165.579
III. Group Loans and Receivables	34.958	7.559
IV. Group Loans and Receivables	97.280	27.158
V. Group Loans and Receivables	141.781	130.862
General Provision Expenses	16.459	77.776
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	4	3.624
Financial Assets at Fair Value Through Profit or Loss	4	264
Available-for-sale Financial Assets	-	3.360
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	3.787	5.634
Total	294.269	252.613

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IV. EXPLANATIONS AND NOTES TO INCOME STATEMENT (Continued)

g. Information related to other operating expenses:

	Current Period 30 June 2014	Prior Period 30 June 2013
Personnel Expenses	302.466	283.116
Reserve for Employee Termination Benefits	8.206	3.565
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	18.855	24.422
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	5.746	2.410
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	57	58
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	201.713	220.421
Operational Lease Expenses	67.400	63.160
Maintenance Expenses	18.291	11.302
Advertisement Expenses	22.737	26.587
Other Expenses	93.285	119.372
Loss on Sales of Assets	55	169
Other	130.671	88.057
Total	667.769	622.218

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. Information on tax provision for continuing and discontinued operations:

As of 30 June 2014, the Bank has corporate tax provision expense amounting to TL 2.285 (30 June 2013: TL 31.331) and deferred tax income amounting to TL 13.084 (30 June 2013 deferred tax expense: TL 13.270).

The total amount of deferred tax income, amounting to TL 13.084 (30 June 2013 deferred tax expense: TL 13.270), stated in the financial statements of the Bank in the current period consists of the temporary differences calculated over the timing differences between the accounting policies applied and valuation principles and the tax legislation.

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

There is nothing to disclose operating profit/loss after tax.

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

k. Explanation on net profit and loss:

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

Net interest income, amounting to TL 604.548 (30 June 2013: TL 697.148), net wage and commission income amounting to TL 316.786 (30 June 2013: TL 273.598), and net trade loss amounting to TL 154.642 (30 June 2013: 24.988) have an important role among the income items in the interim accounting period ending on 30 June 2014. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank's interest income are the interests received from loans, securities and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

"Other fee and commissions" in the income statement mainly consist of commissions received from credit card transactions and investment fund.

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

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

1. 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".

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

1. Information on 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 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. Information on dividend distribution:

None.

d. Information 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".

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

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

Not 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 flow 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:**

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

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

1. Current Period - 30 June 2014:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	55	319	14.460	660.353	26	53
Closing Balance	-	124	46.520	632.480	-	7
Interest and Commissions Income	-	1	142	412	-	-

2. Prior Period - 31 December 2013:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	33	204	12.104	356.225	15	-
Closing Balance	55	319	14.460	660.353	26	53
Interest and Commissions Income(*)	-	1	261	250	-	-

(*) The prior period balances present amounts of 30 June 2013.

3. Deposits held by the Bank's risk group:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period 30 June 2014	Prior Period 31 December 2013	Current Period 30 June 2014	Prior Period 31 December 2013	Current Period 30 June 2014	Prior Period 31 December 2013
Deposit						
Opening Balance	33.046	28.764	50.715	33.834	376	4.527
Closing Balance	27.848	33.046	28.740	50.715	6.762	376
Interest expense on deposits (*)	1.467	536	-	-	188	-

(*) The prior period balances present amounts of 30 June 2013.

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period 30 June 2014	Prior Period 31 December 2013	Current Period 30 June 2014	Prior Period 31 December 2013	Current Period 30 June 2014	Prior Period 31 December 2013
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	88.076.697	30.887.791	-	-
Closing Balance	-	-	46.061.545	88.076.697	-	-
Total Profit/Loss(*)	-	-	(145.894)	(67.898)	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	213.538	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*) The prior period balances present amounts of 30 June 2013.

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

As of 30 June 2014, payment is made to top executives of the Bank amounting to TL 39.400 (30 June 2013: TL 32.487).

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

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

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

Information on the Bank's domestic and foreign branches and foreign representatives of the 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 TO THE SUBSEQUENT EVENTS

1. Transactions that have not been finalized and their effect on the unconsolidated financial statements:

None.

2. Information about the effect on foreign currency transactions and financial statements of significant changes in foreign exchange rates after the balance sheet date and foreign operations of the Bank:

There is no significant change appeared after balance sheet date and needed to be explained in foreign currency rates.

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2014

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

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

As of 30 June 2014, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and review report dated 13 August 2014 is presented before to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.