



**(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE 3.I)**

**HSBC BANK A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2014**

**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi**

**26 February 2015**

*This report consists of 2 page Independent Auditors'  
Report and 96 pages unconsolidated 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 REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH (SEE NOTE 3.1)**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of HSBC Bank Anonim Şirketi

We have audited the unconsolidated balance sheet of HSBC Bank Anonim Şirketi ("the Bank") as of 31 December 2014 and the unconsolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

*Disclosure for the Responsibility of the Bank's Board of Directors*

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

*Disclosure for the Responsibility of the Authorized Audit Firm*

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no.26333 dated 1 November 2006 and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

*Independent Auditor's Opinion*

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of HSBC Bank Anonim Şirketi as of 31 December 2014 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

*Report on Other Legal and Regulatory Requirements*

Pursuant to the fourth paragraph of Article 402 of the TCC no.6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member of KPMG International Cooperative



Murat Alsan  
*Partner*

26 February 2015  
Istanbul, Turkey

**Additional paragraph for convenience translation to English**



**UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S.  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014**

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

The unconsolidated year-end 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
- INDEPENDENT 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 audit and are presented enclosed.

Brian Robertson  
Chairman

James Emmett  
General  
Manager

Neslihan Erkazancı  
Financial Reporting  
Assistant General  
Manager

Yerliozan Kül  
Group Head

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.

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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 31 DECEMBER 2014**

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

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

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

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 shareholder 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 31 December 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 31 December 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 is comprising 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  
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HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 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:	Martin SPURLING	Chairman Deputy	Undergraduate
Board of Directors:	James EMMETT Kevin Peter SAWLE Hamit AYDOĞAN Mehmet Gani SÖNMEZ Leyla ETKER Gilles Paul Marie DENOYEL Edward Michael FLANDERS	Member and CEO Member Member Member Member Member Member	Graduate Associate Degree Undergraduate Undergraduate Graduate Graduate Undergraduate
CEO:	James EMMETT	CEO	Graduate
Head of Internal Audit:	Tolunay KANŞAY	Head of Internal Audit	Undergraduate
Chief Assistant General Manager:	Necdet Murat ŞARSEL Rüçhan ÇANDAR (*)	Credit and Risk Technology and Service Groups	Graduate Graduate
Executive Vice Presidents:	Necdet Murat ŞARSEL Virma SÖKMEN Hulusi HOROZOĞLU Taylan TURAN Ali Batu KARAALI Neslihan ERKAZANCI Ali Dündar PARLAR Rüçhan ÇANDAR (*) Şengül DEMİRCAN	Credit and Risk Corporate and Commercial Banking Global and Investment Banking Retail Banking Treasury and Capital Markets Financial Control Internal Systems and Regulations Technology and Service Groups Human Resources	Graduate Undergraduate Graduate Graduate Graduate Undergraduate Undergraduate Graduate Undergraduate
Audit Committee:	Gilles Paul Marie DENOYEL Hamit AYDOĞAN Leyla ETKER	Head of the Audit Committee Member of the Audit Committee Member of the Audit Committee	Graduate Undergraduate Graduate

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

(\*) As of 30 January 2015 by the Board Decision no. 13202, Rüçhan Çandar appointed to Executive Vice President of Technology and Service Groups. Before this date on 31 October 2014 by the Board Decision no. 13171 Rüçhan Çandar was appointed to Chief Assistant General Manager of Technology and Service Groups

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**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 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, Allianz Hayat ve Emeklilik, 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 31 December 2014, the Bank has 294 branches dispersed throughout the country and 4 branches operating abroad (31 December 2013: 311 branches and 4 branches operating abroad).

As of 31 December 2014, the number of employees of the Bank is 5.659 (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 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  
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**HSBC BANK A.Ş.**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

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**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**
- V. Statements of Changes in Shareholders' Equity**
- VI. Statements of Cash Flows**
- VII. Profit Distribution Statement**

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 31 DECEMBER 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 (31/12/2014)			Prior Period (31/12/2013)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
I. CASH BALANCES WITH CENTRAL BANK	(V-I-a)	897.581	2.608.077	3.505.658	294.916	3.404.357	3.699.273
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(V-I-b)	803.842	171.098	974.940	585.284	1.349.134	1.934.418
2.1 Trading Financial Assets		803.842	171.098	974.940	585.284	1.349.134	1.934.418
2.1.1 Government Debt Securities		337.370	16.413	353.783	507.921	9.222	517.143
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		463.597	154.685	618.282	67.050	1.339.912	1.406.962
2.1.4 Other Marketable Securities		2.875	-	2.875	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	(V-I-c)	984.172	858.492	1.842.764	502.208	1.155.361	1.657.569
IV. MONEY MARKETS		6.833.606	-	6.833.606	6.660.942	126.315	6.787.257
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	126.315	126.315
4.3 Receivables from Reverse Repurchase Agreements		6.833.606	-	6.833.606	6.660.942	-	6.660.942
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(V-I-d)	530.249	-	530.249	2.349.331	-	2.349.331
5.1 Share Certificates		4.225	-	4.225	4.225	-	4.225
5.2 Government Debt Securities		526.024	-	526.024	2.245.106	-	2.245.106
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(V-I-e)	14.560.675	4.773.361	19.334.036	14.677.457	4.418.822	19.096.279
6.1 Loans		14.083.355	4.773.068	18.856.423	14.325.588	4.418.822	18.744.410
6.1.1 Bank's Risk Group	(V-VII)	-	3.964	3.964	2.612	-	14.341
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		14.083.355	4.769.104	18.852.459	14.322.976	4.406.893	18.729.869
6.2 Loans Under Follow-Up		1.240.137	423	1.240.560	1.192.249	14.088	1.206.337
6.3 Specific Provisions (-)		762.817	130	762.947	840.380	14.088	854.468
VII. FACTORING RECEIVABLES		162.512	15.793	178.305	46.347	8.752	55.099
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(V-I-f)	-	-	-	-	-	-
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(V-I-g)	-	-	-	-	-	-
9.1 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)	(V-I-h)	35.023	-	35.023	35.023	-	35.023
10.1 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)	(V-I-i)	-	-	-	-	-	-
11.1 Accounted Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCIAL LEASE RECEIVABLES (Net)	(V-I-j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(V-I-k)	36.299	-	36.299	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		36.299	-	36.299	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(V-I-l)	115.151	-	115.151	130.076	-	130.076
XV. INTANGIBLE ASSETS (Net)	(V-I-m)	117.657	-	117.657	105.022	-	105.022
15.1 Goodwill		83.450	-	83.450	83.450	-	83.450
15.2 Other		34.207	-	34.207	21.572	-	21.572
XVI. INVESTMENT PROPERTY (Net)	(V-I-n)	-	-	-	-	-	-
XVII. TAX ASSET		120.233	-	120.233	45.773	-	45.773
17.1 Current Tax Asset		74.170	-	74.170	46	-	46
17.2 Deferred Tax Asset	(V-I-o)	46.063	-	46.063	45.727	-	45.727
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(V-I-p)	3.179	-	3.179	4.394	-	4.394
18.1 Held for sale Purposes		3.179	-	3.179	4.394	-	4.394
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(V-I-r)	179.518	14.870	194.388	195.432	233.692	429.124
<b>TOTAL ASSETS</b>		<b>25.379.797</b>	<b>8.441.691</b>	<b>33.821.488</b>	<b>25.532.205</b>	<b>10.696.433</b>	<b>36.228.638</b>

The accompanying explanations and notes set out on pages 14 to 96 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 BALANCE SHEET AS AT 31 DECEMBER 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 (31/12/2014)			Prior Period (31/12/2013)		
		LIABILITIES			LIABILITIES		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(V-II-a)	10.976.198	8.064.118	19.040.316	10.331.638	7.276.794	17.608.432
1 1 Deposits of Bank's risk group	(V-VII)	71 063	3 633	74 718	83 859	278	84 137
1 2 Other		10 905 133	8 060 485	18 965 598	10 247 779	7.276 516	17 524 295
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(V-II-b)	78.815	424.825	503.640	15.903	1.292.473	1.308.376
III. BORROWINGS	(V-II-d)	2.512.834	5.696.132	8.208.966	2.879.677	6.775.237	9.654.914
IV. MONEY MARKETS		395.596	-	395.596	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	(V-II-e)	395 596	-	395 596	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		443.161	150.701	593.862	528.110	7.935	536.045
VIII. OTHER LIABILITIES	(V-II-e)	429.274	70.133	499.407	511.877	45.040	556.917
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCIAL LEASE PAYABLES (Net)	(V-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	(V-II-g)	8.615	-	8.615	-	-	-
11 1 Fair Value Hedge		-	-	-	-	-	-
11 2 Cash Flow Hedge		8 615	-	8 615	-	-	-
11 3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	(V-II-h)	454.128	1.749	455.877	449.858	2.306	452.164
12 1 General Loan Loss Provision		362 405	-	362 405	347 299	-	347 299
12 2 Restructuring Provisions		-	-	-	-	-	-
12 3 Reserve for Employee Rights		33 835	-	33 835	30 885	-	30 885
12 4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12 5 Other Provisions		57 888	1 749	59 637	71 674	2 306	73 980
XIII. TAX LIABILITY	(V-II-i)	48.345	-	48.345	44.006	-	44.006
13 1 Current Tax Liability		48 345	-	48 345	44 006	-	44 006
13 2 Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS	(V-II-j)	-	-	-	-	-	-
14 1 Held for sale purpose		-	-	-	-	-	-
14 2 Related to discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(V-II-k)	-	1.073.095	1.073.095	-	1.027.349	1.027.349
XVI. SHAREHOLDERS' EQUITY	(V-II-l)	2.993.769	-	2.993.769	3.014.859	-	3.014.859
16 1 Paid-in Capital		652 290	-	652 290	652 290	-	652 290
16 2 Capital Reserves		279 387	-	279 387	245 180	-	245 180
16 2 1 Share Premium		-	-	-	-	-	-
16 2 2 Share Cancellation Profits		-	-	-	-	-	-
16 2 3 Marketable Securities Valuation Differences		7 336	-	7 336	(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)		(642)	-	(642)	-	-	-
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		2 118 017	-	2 118 017	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		(1 140)	-	(1 140)	(1 768)	-	(1 768)
16 4 Income or (Loss)		(55 925)	-	(55 925)	29 784	-	29 784
16 4 1 Prior Years' Income or (Loss)		-	-	-	-	-	-
16 4 2 Current Year Income or (Loss)		(55 925)	-	(55 925)	29 784	-	29 784
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>18.340.735</b>	<b>15.480.753</b>	<b>33.821.488</b>	<b>19.801.504</b>	<b>16.427.134</b>	<b>36.228.638</b>

The accompanying explanations and notes set out on pages 14 to 96 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 31 DECEMBER 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 (31/12/2014)			Prior Period (31/12/2013)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>51,852,984</b>	<b>66,964,609</b>	<b>118,817,593</b>	<b>53,034,610</b>	<b>77,007,723</b>	<b>130,042,332</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(V-III-a-2,3)	<b>713,213</b>	<b>2,352,616</b>	<b>3,065,829</b>	<b>425,174</b>	<b>3,220,896</b>	<b>3,646,070</b>
I.1 Letters of Guarantee		713,213	546,411	1,259,624	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		713,213	546,411	1,259,624	423,474	716,764	1,140,238
I.2 Bank Acceptances		-	721,520	721,520	-	1,212,692	1,212,692
I.2.1 Import Letter of Acceptance		-	709,855	709,855	-	1,206,906	1,206,906
I.2.2 Other Bank Acceptances		-	11,665	11,665	-	5,786	5,786
I.3 Letters of Credit		-	686,323	686,323	1,700	773,310	775,010
I.3.1 Documentary Letters of Credit		-	355,433	355,433	-	545,307	545,307
I.3.2 Other Letters of Credit		-	330,890	330,890	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		-	398,362	398,362	-	510,061	510,061
I.9 Other Collaterals		-	-	-	-	8,069	8,069
<b>II. COMMITMENTS</b>	(V-III-a-1)	<b>11,461,206</b>	<b>8,599,274</b>	<b>20,060,480</b>	<b>14,138,233</b>	<b>9,379,324</b>	<b>23,517,557</b>
II.1 Irrevocable Commitments		11,461,206	8,599,274	20,060,480	14,138,233	9,379,324	23,517,557
II.1.1 Asset Purchase and Sale Commitments		2,597,293	7,420,577	10,017,870	5,868,259	8,886,247	14,754,506
II.1.2 Deposit Purchase and Sales Commitments		-	1,175,103	1,175,103	-	492,890	492,890
II.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
II.1.4 Loan Granting Commitments		839,213	1,050	840,263	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		557,693	-	557,693	609,967	-	609,967
II.1.8 Tax and Fund Liabilities from Export Commitments		5,614	-	5,614	3,931	-	3,931
II.1.9 Commitments for Credit Card Limits		6,364,770	-	6,364,770	6,469,537	-	6,469,537
II.1.10 Commitments for Credit Cards and Banking Services Promotions		19,022	-	19,022	15,465	-	15,465
II.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	1,170	1,170	-	-	-
II.1.12 Payables for Short Sale Commitments of Marketable Securities		-	1,170	1,170	-	-	-
II.1.13 Other Irrevocable Commitments		1,077,601	204	1,077,805	874,872	187	875,059
II.2 Revocable Commitments		-	-	-	-	-	-
II.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
II.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(V-III-b)	<b>39,678,565</b>	<b>56,012,719</b>	<b>95,691,284</b>	<b>38,471,203</b>	<b>64,407,502</b>	<b>102,878,705</b>
III.1 Hedging Derivative Financial Instruments		1,205,019	1,269,486	2,474,505	-	-	-
III.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
III.1.2 Transactions for Cash Flow Hedge		1,205,019	1,269,486	2,474,505	-	-	-
III.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
III.2 Trading Transactions		38,473,546	54,743,233	93,216,779	38,471,203	64,407,502	102,878,705
III.2.1 Forward Foreign Currency Buy/Sell Transactions		2,642,266	4,008,854	6,651,120	2,638,403	5,311,616	7,950,019
III.2.1.1 Forward Foreign Currency Transactions-Buy		1,788,700	1,528,250	3,316,950	1,048,572	2,957,750	4,006,322
III.2.1.2 Forward Foreign Currency Transactions-Sell		853,566	2,480,604	3,334,170	1,589,831	2,353,866	3,943,697
III.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		34,514,898	48,362,765	82,877,663	32,483,040	46,972,346	79,455,386
III.2.2.1 Foreign Currency Swap-Buy		15,057,899	21,133,810	36,191,709	14,666,978	21,348,422	36,015,400
III.2.2.2 Foreign Currency Swap-Sell		19,456,999	16,227,779	35,734,778	17,816,062	18,160,268	35,976,330
III.2.2.3 Interest Rate Swap-Buy		-	5,475,588	5,475,588	-	3,731,828	3,731,828
III.2.2.4 Interest Rate Swap-Sell		-	5,475,588	5,475,588	-	3,731,828	3,731,828
III.2.3 Foreign Currency, Interest rate and Securities Options		1,316,382	2,017,034	3,333,416	3,349,760	4,974,580	8,324,340
III.2.3.1 Foreign Currency Options-Buy		658,191	1,008,517	1,666,708	1,674,880	2,487,290	4,162,170
III.2.3.2 Foreign Currency Options-Sell		658,191	1,008,517	1,666,708	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		-	-	-	-	6,853,314	6,853,314
III.2.5.1 Interest Rate Futures-Buy		-	-	-	-	3,426,657	3,426,657
III.2.5.2 Interest Rate Futures-Sell		-	-	-	-	3,426,657	3,426,657
III.2.6 Other		-	354,580	354,580	-	295,646	295,646
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>45,429,138</b>	<b>80,657,748</b>	<b>126,086,886</b>	<b>47,450,381</b>	<b>69,795,710</b>	<b>117,246,091</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>15,134,409</b>	<b>1,474,334</b>	<b>16,708,743</b>	<b>16,477,369</b>	<b>1,527,811</b>	<b>18,005,180</b>
IV.1 Customer Fund and Portfolio Balances		1,454,823	-	1,454,823	1,402,913	-	1,402,913
IV.2 Investment Securities Held in Custody		10,301,954	1,215,352	11,517,306	11,593,752	1,039,432	12,633,184
IV.3 Checks Received for Collection		2,050,960	202,002	2,252,962	2,148,173	257,636	2,405,809
IV.4 Commercial Notes Received for Collection		80,463	-	80,463	67,060	-	67,060
IV.5 Other Assets Received for Collection		-	8,598	8,598	-	6,673	6,673
IV.6 Assets Received for Public Offering		-	-	-	-	-	-
IV.7 Other Items Under Custody		1,346,209	48,382	1,394,591	1,265,471	224,070	1,489,541
IV.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>12,516,539</b>	<b>14,638,204</b>	<b>27,154,743</b>	<b>14,064,235</b>	<b>11,687,638</b>	<b>25,751,873</b>
V.1 Marketable Securities		309,646	10,108	519,754	2,131,837	13,661	2,145,498
V.2 Guarantee Notes		666,617	1,798,051	2,464,668	722,091	1,739,020	2,461,111
V.3 Commodity		240	5,123	5,363	1,340	4,703	6,043
V.4 Warranty		-	-	-	-	-	-
V.5 Immovable		8,676,245	2,771,856	11,448,101	8,530,128	3,151,276	11,681,404
V.6 Other Pledged Items		2,663,791	10,053,066	12,716,857	2,678,839	6,778,978	9,457,817
V.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>17,678,190</b>	<b>64,545,210</b>	<b>82,223,400</b>	<b>16,908,777</b>	<b>56,580,261</b>	<b>73,489,038</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>97,282,122</b>	<b>147,622,357</b>	<b>244,904,479</b>	<b>100,484,991</b>	<b>146,803,432</b>	<b>247,288,423</b>

The accompanying explanations and notes set out on pages 14 to 96 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  
31 DECEMBER 2014 AND 31 DECEMBER 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 - 31/12/2014)	Prior Period (01/01/2013 - 31/12/2013)
<b>I.</b>	<b>INTEREST INCOME</b>	(IV-a)	2.589.503	2.263.956
1.1	Interest on Loans	(IV-a-1)	1.873.456	1.778.471
1.2	Interest Received from Reserve Requirements		1.280	-
1.3	Interest Received from Banks	(IV-a-2)	95.178	50.509
1.4	Interest Received from Money Market Transactions		480.260	144.922
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	91.693	246.443
1.5.1	Trading Financial Assets		15.894	31.004
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-
1.5.3	Available-for-sale Financial Assets		75.799	215.439
1.5.4	Held to Maturity Investments		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		47.636	43.611
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	(IV-b)	1.359.642	965.509
2.1	Interest on Deposits (-)	(IV-b-4)	993.680	636.394
2.2	Interest on Funds Borrowed (-)	(IV-b-1)	320.585	292.967
2.3	Interest Expense on Money Market Transaction (-)	(IV-b-5)	40.142	31.393
2.4	Interest on Securities Issued (-)	(IV-b-3)	-	-
2.5	Other Interest Expens (-)		5.235	4.755
<b>III.</b>	<b>NET INTEREST INCOME (I + II)</b>		1.229.861	1.298.447
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		618.186	576.859
4.1	Fees and Commissions Received		668.476	631.857
4.1.1	Non-cash Loans		19.694	19.082
4.1.2	Other		648.782	612.775
4.2	Fees and Commissions Paid (-)		50.290	54.998
4.2.1	Non-cash Loans (-)		175	580
4.2.2	Other (-)		50.115	54.418
<b>V.</b>	<b>DIVIDEND INCOME</b>	(IV-c)	24.385	18.854
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	(IV-d)	(220.826)	(86.780)
6.1	Trading Gains/(Losses) on Securities		10.208	3.220
6.2	Derivative Financial Transactions Gains/(Losses)		182.810	(67.272)
6.3	Foreign Exchange Gains/(Losses)		(413.844)	(22.728)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(IV-e)	207.909	49.510
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		1.859.515	1.856.890
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(IV-f)	566.921	502.211
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(IV-g)	1.343.384	1.288.865
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		(50.790)	65.814
<b>XII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-
<b>XIV.</b>	<b>INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)</b>		(50.790)	65.814
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (+)</b>	(IV-h)	(5.135)	(36.030)
16.1	Current Tax Provision	(IV-i)	(5.026)	(50.710)
16.2	Deferred Tax Provision		(109)	14.680
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>		(55.925)	29.784
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>	(IV-j)	-	-
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		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
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		-	-
<b>XX.</b>	<b>PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (+)</b>		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	(IV-k)	(55.925)	29.784
	Earnings/ Loss per Share		(0,000857)	0,000457

The accompanying explanations and notes set out on pages 14 to 96 form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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HSBC BANK A.Ş.  
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY AS  
AT 31 DECEMBER 2014 AND 31 DECEMBER 2013

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

<b>IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (31/12/2014)</b>	<b>Prior Period (31/12/2013)</b>
<b>I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>43.561</b>	<b>(79.103)</b>
<b>II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)</b>	<b>(803)</b>	-
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>785</b>	-
<b>IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>	<b>(8.709)</b>	<b>15.821</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>34.834</b>	<b>(63.282)</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>(55.925)</b>	<b>29.784</b>
11.1 Net change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	(5.297)	(17.134)
11.2 Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	14	-
11.3 Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4 Other	(50.642)	46.918
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)</b>	<b>(21.091)</b>	<b>(33.498)</b>

The accompanying explanations and notes set out on pages 14 to 96 form an integral part of these financial statements

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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
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HSBC BANK A.Ş.  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

31 December 2013		Share Premium	Share Cost Profit	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible and Intangible Assets	Bonus Shares from Instruments	Hedging Fund	Rev. Diff. in Tangible Assets for Sale/Div. Operat.	Total Equity
I.	Balance at the beginning of the period	-	-	175,911	-	1,721,664	272,693	188,798	-	35,749	-	-	-	-	3,044,125
II.	Corrections According to Turkish Accounting Standard No 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balance (I+II)	-	-	175,911	-	1,721,664	272,693	188,798	-	35,749	-	-	-	-	3,044,125
IV.	Changes in the Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Increase/Decrease due to the Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	(63,282)	-	-	-	-	(63,282)
VII.	Hedging Transaction Funds (Effective Parts)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.2	Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Property and Equipment Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible Fixed Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Paid in-Capital Adjustments Difference	-	-	-	-	-	(1,748)	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Current Year Income or Loss	-	-	2,182	-	178,696	-	23,784	-	-	-	-	-	-	(1,768)
XX.	Profit Distribution	-	-	-	-	-	-	(188,798)	-	-	-	-	-	-	23,784
XXI.	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfer to Reserves	-	-	2,182	-	178,696	-	(188,798)	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the end of the period (III+IV+V+...+XVIII+XIX+XX)	-	-	178,013	-	1,911,360	270,925	29,784	-	(27,511)	-	-	-	-	3,014,639

The accompanying explanations and notes set out on pages 14 to 96 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 CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED AT 31 DECEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		31 December 2014	None (Section I-IV)	Public Capital	Adjusters (Subsidiary Capital)	Share Cred. Profits	Share Premium	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit(Loss)	Prior Period Net Profit(Loss)	Marketable Securities Valuation Differences	Der. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Der. Diff. in Tangible Hold for Sale/Disc. Operat.	Total Equity
1	Balances at the Beginning of the Period			652,290				178,812		1,911,348	278,925	29,784		(27,513)				3,014,859
	Changes in the Period																	
II	Increase/Decrease due to the Merger																	
III	Marketable Securities Valuation Differences													34,849				34,849
IV	Hedging Transactions Funds (Effective Parts)																	(642)
41	Cash Flow Hedge																	(642)
42	Foreign Investment Hedge																	(642)
V	Valuation Differences due to Revaluation of Property and Equipment																	
VI	Valuation Differences due to Revaluation of Intangible Assets																	
VII	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures																	
VIII	Foreign Exchange Differences																	
IX	Changes due to the Disposal of Assets																	
X	Changes due to the Reclassification of Assets																	
	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity																	
XI	Capital Increase																	
121	Cash Increase																	
122	Internal Resources																	
XIII	Share Premium																	
XIV	Share Cancellation Profits																	
XV	Paid in-Capital Adjustment Difference																	
XVI	Other																	
XVII	Current Year Income or Loss										429	(15,925)						429
XVIII	Profit Distributions											(29,784)						(29,784)
181	Dividend Paid																	
182	Transfers to Reserves																	
183	Other																	
	Balances at the end of the period (I+II+III+...+XVII+XVIII)			652,290				178,812		1,929,288	271,453	(15,925)		2,334			(642)	2,793,769

The accompanying explanations and notes set out on pages 14 to 96 form an integral part of these financial statements.



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**HSBC BANK A.Ş.  
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED  
31 DECEMBER 2014 AND 31 DECEMBER 2013  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

<b>VI. STATEMENT OF CASH FLOWS</b>			
	Note (Section Five VI)	Current Period (31/12/2014)	Prior Period (31/12/2013)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating profit before changes in operating assets and liabilities	532.450	434.030
1.1.1	Interest received	2.649.969	2.159.864
1.1.2	Interest paid	(1.364.024)	(987.749)
1.1.3	Dividend received	24.385	18.854
1.1.4	Fees and commissions received	668.476	631.857
1.1.5	Other income	207.909	49.510
1.1.6	Collections from previously written-off loans and other receivables	215.002	142.602
1.1.7	Payments to personnel and service suppliers	(600.588)	(588.068)
1.1.8	Taxes paid	(77.660)	(98.956)
1.1.9	Other	(1.191.019)	(893.884)
1.2	Changes in operating assets and liabilities	(1.422.739)	4.532.965
1.2.1	Net (decrease)/increase in trading securities	171.876	298.863
1.2.2	Net increase/(decrease) in fair value through profit/loss financial assets	-	-
1.2.3	Net increase/(decrease) in banks	18.007	139.934
1.2.4	Net increase/(decrease) in loans	(1.159.812)	(3.966.346)
1.2.5	Net increase/(decrease) in other assets	938.222	(1.453.288)
1.2.6	Net increase/(decrease) in bank deposits	(235.510)	432.452
1.2.7	Net (decrease)/increase in other deposits	1.657.167	2.972.113
1.2.8	Net (decrease)/increase in funds borrowed	(1.385.314)	4.161.310
1.2.9	Net increase/(decrease) in payables	-	-
1.2.10	Net (decrease)/increase in other liabilities	(1.427.375)	1.947.927
I.	Net cash provided from banking operations	(890.289)	4.966.995
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
II.	Net cash provided from investing activities	1.674.234	626.669
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	(29.409)	(48.857)
2.4	Disposals of property and equipment	22.114	12.748
2.5	Cash paid for purchase of investments available-for-sale	(4.189.603)	(7.850.492)
2.6	Cash obtained from sale of investments available-for-sale	5.897.682	8.532.356
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	-	-
2.9	Other	(26.550)	(19.086)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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	51.239	90.051
V.	Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	835.184	5.683.715
VI.	Cash and cash equivalents at beginning of the period	(VI)	3.191.816
VII.	Cash and cash equivalents at end of the period	(VI)	8.875.531

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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HSBC BANK A.Ş.

UNCONSOLIDATED PROFIT DISTRIBUTION STATEMENT AT 31 DECEMBER 2014 AND 31  
DECEMBER 2013

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

VII. PROFIT DISTRIBUTION STATEMENT	Current Period (31/12/2014) (*)	Prior Period (31/12/2013) (**)
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 Current Year Income	(50 790)	65 814
1.2 Taxes And Duties Payable (-)	(5 135)	(36 030)
1.2.1 Corporate Tax (Income tax)	(5 026)	(50 710)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	(109)	14 680
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>(55.925)</b>	<b>29,784</b>
1.3 Prior Year Losses (-)	-	-
1.4 First Legal Reserves (-)	-	1 944
1.5 Other Statutory Reserves (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)](***)</b>		<b>27,840</b>
1.6 First Dividend To Shareholders (-)	-	-
1.6.1 To Owners Of Ordinary Shares	-	-
1.6.2 To Owners Of Privileged Shares	-	-
1.6.3 To Owners Of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders Of Profit And Loss Sharing Certificates	-	-
1.7 Dividends To Personnel (-)	-	-
1.8 Dividends To Board Of Directors (-)	-	-
1.9 Second Dividend To Shareholders (-)	-	-
1.9.1 To Owners Of Ordinary Shares	-	-
1.9.2 To Owners Of Privileged Shares	-	-
1.9.3 To Owners Of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders Of Profit And Loss Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	-
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves	-	27 840
1.13 Other Reserves	-	-
1.14 Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 Appropriated Reserves	-	-
2.2 Second Legal Reserves (-)	-	-
2.3 Dividends To Shareholders (-)	-	-
2.3.1 To Owners Of Ordinary Shares	-	-
2.3.2 To Owners Of Privileged Shares	-	-
2.3.3 To Owners Of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders Of Profit And Loss Sharing Certificates	-	-
2.4 Dividends To Personnel (-)	-	-
2.5 Dividends To Board Of Directors (-)	-	-
<b>III. EARNINGS PER SHARE (****)</b>		
3.1 To Owners Of Ordinary Shares	(0,000857)	0,000457
3.2 To Owners Of Ordinary Shares ( % )	-	-
3.3 To Owners Of Privileged Shares	-	-
3.4 To Owners Of Privileged Shares ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 To Owners Of Ordinary Shares	-	-
4.2 To Owners Of Ordinary Shares ( % )	-	-
4.3 To Owners Of Privileged Shares	-	-
4.4 To Owners Of Privileged Shares ( % )	-	-

(\*) As of reporting date, yearly ordinary meeting of the General Assembly has not been held yet to decide on the profit appropriation for the year 2014.

(\*\*) The profit distribution table belongs to prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2013 financial statement dated to 25 March 2014 and rearranged in this direction.

(\*\*\*) 1 000 nominal is expressed in full TL.

The accompanying explanations and notes set out on pages 14 to 96 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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IN TURKISH, SEE NOTE 3.1**

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

**a. The preparation of the 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. The Bank, prepares accounting records in TL in accordance with the Banking Act, Turkish Commercial Code and Turkish tax legislation.

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 1 January 2014, which have been effective as of reporting date have no impact on the accounting policies, financial position and performance of the Bank. The bank evaluates the effect of TFRS 9 Financial Instruments.

**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.

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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

**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 31 December 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.

**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 recognised 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 recognised at income statement.

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**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 deserve.

**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 consists 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.

**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 derecognised from the financial statement and provision expense is recognised 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.

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

**d. Investment securities held-to-maturity:**

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially recognised at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognised in the income statement. There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to the contradiction of classification principles. As of 31 December 2014 and 31 December 2013, the Bank has no investment securities held-to-maturity.

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL INSTRUMENTS**

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 an 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 31 December 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 government bonds amounting to TL 40.500 as of 31 December 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 (31 December 2013: TL 50.000).

**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 31 December 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 Immovables 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%, 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 3,77 % (31 December 2013: 4.18 %).

As of 31 December 2014, actuarial difference amounted to TL 1.140 (31 December 2013: TL 1.768) is recognised under prior years' loss in the financial statements.

All actuarial gains and losses is recognised under equity in accordance with revised IAS 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 installments 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 recognised for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognised 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 unconsolidated 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 and issued convertible bonds as of 31 December 2014 and 31 December 2013.

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

As of 31 December 2014 and 31 December 2013, the Bank has no issued share certificates.

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

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

**XXII. EXPLANATIONS ON GOVERNMENT GRANTS**

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

**XXIII. EXPLANATIONS ON OPERATING SEGMENTS**

Segment reporting is presented in Note XII of Section Four.

**XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION**

Retained earnings as per the statutory 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 is calculated by dividing net profit for the year to the number of shares.

	<b>Current Period</b>	<b>Prior Period</b>
	<b>31 December 2014</b>	<b>31 December 2013</b>
Net Profit for the Period	(55.925)	29.784
Number of Shares	65.229.000.000	65.229.000.000
<b>Earnings per Share (*)</b>	<b>(0,000857)</b>	<b>0,000457</b>

(\*) 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.

**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.

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**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 31 December 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 31 December 2014, the Bank's capital adequacy ratio is 15,07% (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:

	31 December 2014									
	Risk Weights									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	
<b>Credit Risk Based Amount</b>	<b>4.547.568</b>	<b>-</b>	<b>1.647.073</b>	<b>2.417.241</b>	<b>5.901.799</b>	<b>12.341.753</b>	<b>1.526.447</b>	<b>1.559.001</b>	<b>525</b>	
<b>Risk Classes</b>										
Claims on sovereigns and Central Banks	3 836 494	-	-	10	-	-	190 123	-	-	
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	-	-	1 647 073	640 974	-	137 556	13 388	-	-	
Claims on corporate	219 870	-	-	-	-	10 967 157	-	-	-	
Claims included in the regulatory retail portfolios	73 394	-	-	-	5 901 799	699 691	-	-	-	
Claims secured by residential property	-	-	-	1 769 473	-	-	-	-	-	
Past due loan	451	-	-	6 784	-	343 957	132 364	-	-	
Higher risk categories decided by the Board	56 496	-	-	-	-	-	1 190 572	1 559 001	525	
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	360 863	-	-	-	-	193 392	-	-	-	

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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%
<b>Credit Risk Based Amount</b>	<b>6.358.555</b>	<b>-</b>	<b>950.371</b>	<b>3.477.785</b>	<b>5.883.598</b>	<b>12.068.009</b>	<b>1.119.870</b>	<b>2.109.883</b>	<b>60.113</b>
<b>Risk Classes</b>									
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 31 December 2014	Prior Period 31 December 2013
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	1.897.210	1.956.762
Capital obligation for market risk (II)	90.866	90.220
Capital obligation for operational risk (III)	245.937	222.947
Shareholders' Equity	4.207.903	4.232.559
Shareholders' Equity / ((I+II+III) * 12,5 * 100)	15,07	14,92
Core Capital / ((I+II+III) * 12,5 * 100)	10,24	(*)
Tier I Capital / ((I+II+III) * 12,5 * 100)	10,24	(*)

(\*) 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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	Current Period
<b>TIER I CAPITAL</b>	
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	5.554
Profit	(55.925)
Net Current Period Profit	(55.925)
Prior Period Profit	-
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Tier I Capital Before Deductions</b>	<b>2.993.769</b>
<b>Deductions From Tier I Capital</b>	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-
Leasehold Improvements on Operational Leases (-)	18.345
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	115.606
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 (-)	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deduction (-)	-
<b>Total regulatory adjustments to Tier I capital</b>	<b>133.951</b>
<b>Tier I capital</b>	<b>2.859.818</b>
<b>ADDITIONAL CORE CAPITAL</b>	
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)	-
<b>Additional Core Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Core Capital</b>	<b>-</b>

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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 (-)	-
<b>Total Deductions from Additional Core Capital</b>	-
<b>Total Additional Core Capital</b>	-
<b>Deductions from Core Capital</b>	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
<b>Total Core Capital</b>	<b>2.859.818</b>
<b>TIER II CAPITAL</b>	
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	1.072.643
General Provisions	296.439
<b>Tier II Capital before Deductions</b>	<b>1.369.082</b>
<b>Deductions from Tier II Capital</b>	
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 (-)	11.950
<b>Total Deductions from Tier II Capital</b>	<b>11.950</b>
<b>Total Tier II Capital</b>	<b>1.357.132</b>
<b>CAPITAL</b>	<b>4.216.950</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	291
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 (-)	141
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 (-)	8.615
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**

4.207.903

**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)**

	<b>Prior Period 31 December 2013</b>
<b>CORE CAPITAL</b>	
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 <sup>rd</sup> paragraph) (-)	-
<b>Total Core Capital</b>	<b>2.918.970</b>

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders' equity items (Continued)

	Prior Period 31 December 2013
<b>SUPPLEMENTARY CAPITAL</b>	
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 recognised 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)	-
<b>Total Supplementary Capital</b>	<b>1.313.843</b>
<b>CAPITAL</b>	<b>4.232.813</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>254</b>
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
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4.232.559</b>

(\*) 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:

The "HSBC Bank's assessment process of adequacy of internal capital requirements and capital adequacy policies" was prepared in order to describe the assessment process of adequacy of internal capital requirements and capital adequacy policies, and approved by its board of directors in 26 September 2012. The ultimate aim of this internal capital requirements process is to maintain the continuity of capital adequacy under the Bank's strategies, business plan, and scope or in case of changes in developed assumption and methodology, the assessment methodology of internal capital requirements is a developing process, accordingly the future improvement areas are determined and the working plans are set.

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

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II. EXPLANATIONS ON CREDIT RISK

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

In credit risk, there are no specific limitations for a specific geographical region. However, if there will be a risk which is affecting 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.

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

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

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.

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

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

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

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

**Corporate and Commercial Loan Portfolio Rating System:**

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

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**II. EXPLANATIONS ON CREDIT RISK (Continued)**

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

10 basic customer risk rating ranges are as follows:

**CRR 1.0 - Minimal Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is perfect. CRR 1.0 rate indicates the best credit risk available and there is almost no risk that the firm may be unable to meet its obligations.

**CRR 2.0 - Low Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is very good.

**CRR 3.0 - Acceptable Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is satisfactory in every respect and there are no adverse events.

**CRR 4.0 - Reasonable Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is durable. The risk of the firm's inability to meet its obligations is at a reasonable level and more frequent surveillance is needed.

**CRR 5.0 - Moderate Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is at an average level. Current situation is not ominous. However, firm's sensitivity to external events is needed to be observed more frequently and enhancing the firm's risk of inability to meet the obligations.

**CRR 6.0 - Significant Risk** - There is a known downtrend in the firm's financial situation (equity capital, income, cash generating capacity and management functions) and there are one or more problematic issues. Although, the current capacity of the firm is sufficient to meet its obligations, some potential risks may give harm to firm's financial situation. More frequent surveillance is needed.

**CRR 7.0 - High Risk** - There is a continuous downtrend in the firm's financial situation (equity capital, income, cash generating capacity and management functions) and this situation is needed to be continuously observed and assessed. Although the firm is disquieting regarding the ability of meeting its obligations, it is thought that the firm has sufficient capacity to meet its obligations.

**CRR 8.0 - The Risk Requiring Special Management** - The financial situation (equity capital, income, cash generating capacity and management functions) of the firm is generally weakened (for instance: negative equity capital, inability of making salary payments and etc.) or payment capacity and intention has become suspicious. This situation is requiring continuous surveillance and assessment. Concerns regarding the firm's ability of meeting its obligations are growing and the possibilities of the firm's ability to meet its obligations are decreasing.

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

- Debtor, is late more than 90 days to meet its obligations to the Bank.
- Achieving no results from debt restructuring approaches.
- Restructured debt lapsed into default again.
- Legal proceedings have begun.

**CRR 10.0 - Loss** - Collection is not expected.

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II. EXPLANATIONS ON CREDIT RISK (Continued)

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

Risk Classifications	Current Period Risk Amount	Average Risk Amount
Claims on sovereigns and Central Banks	4.026.627	4.385.983
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	2.438.991	2.785.102
Claims on corporate	11.187.027	10.363.727
Claims included in the regulatory retail portfolios	6.674.884	6.445.781
Claims secured by residential property	1.769.473	2.445.303
Past due loan	483.556	396.543
Higher risk categories decided by the Board	2.806.594	2.882.472
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	554.255	621.703
<b>Total</b>	<b>29.941.407</b>	<b>30.326.614</b>

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

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

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

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

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

As of 31 December 2014, the Bank has TL 102 (31 December 2013: TL 173) of non-cash loans turned into cash loans.

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

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Letter of Guarantee	16	-	-	-
Prefinancing Loans	-	-	-	-
Commercial Letter of Credit Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Bad Check Payments	86	-	173	-
Other Liabilities	-	-	-	-
<b>Total</b>	<b>102</b>	<b>-</b>	<b>173</b>	<b>-</b>

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**II. EXPLANATIONS ON CREDIT RISK (Continued)**

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

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

- e. Evaluation of the significance of country specific risk if the banks have foreign operations and credit transactions in a few countries or these operations are coordinated with a few financial entities;**

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

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

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.

- f. The proportion of the Bank's top 100 cash loan balances in total cash loans: 25% (31 December 2013: 20%).**

**The proportion of the Bank's top 100 non-cash loan balances in total non-cash loans: 83% (31 December 2013: 82%)**

**The proportion of the Bank's cash and non-cash loan balances with the first 100 customers comprises of total cash loans and non-cash loans: 27% (31 December 2013: 29%)**

- g. The Bank provided a general provision for credit risk: TL 362.405 (31 December 2013: TL 347.299).**

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II. EXPLANATIONS ON CREDIT RISK (Continued)

h. Profile on significant risks in significant regions, Risk Profile according to sectors and counterparties and Term distribution of risks with term structure:

Current Year	Risk Categories (****)																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total
31 December 2014																	
Domestic	3.836.504	-	-	-	-	1.373.650	10.987.717	6.646.470	1.729.625	478.675	2.805.559	-	-	-	-	519.232	28.377.412
European Union Countries	-	-	-	-	-	293.070	83.174	4.991	10.989	80	209	-	-	-	-	-	392.513
OECD Countries (*)	-	-	-	-	-	43.393	-	215	479	-	150	-	-	-	-	-	44.237
Off - shore Countries	-	-	-	-	-	5.116	-	-	-	-	-	-	-	-	-	-	5.116
USA, Canada	-	-	-	-	-	360.278	20.309	548	1.684	-	-	-	-	-	-	-	362.867
Other Countries	190.123	-	-	-	-	363.484	93.827	22.660	26.696	4.801	628	-	-	-	-	-	704.219
Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35.023	35.023
TOTAL	4.036.637	-	-	-	-	2.438.991	11.187.027	6.674.884	1.769.473	483.556	2.806.594	-	-	-	-	554.255	29.941.407

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

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

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

1. Conditional and unconditional receivables from central governments and Central Banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional receivables from retail portfolios
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment funds
16. Other receivables.

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II. EXPLANATIONS ON CREDIT RISK (Continued)

h. Profile on significant risks in significant regions, Risk Profile according to sectors and counterparties and Term distribution of risks with term structure (Continued) :

Prior Year	Risk Categories (***)																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total
31 December 2013																	
Domestic	5,561,038	-	-	-	-	1,941,049	10,206,004	7,138,635	1,769,678	340,237	3,149,510	-	-	-	-	672,015	30,778,216
European Union Countries	-	-	-	-	-	255,890	56,158	-	-	-	-	-	-	-	-	-	312,048
OECD Countries (*)	-	-	-	-	-	55,982	-	-	-	-	-	-	-	-	-	-	55,982
Off-shore Countries	-	-	-	-	-	9,803	-	-	-	-	-	-	-	-	-	-	9,803
USA, Canada	-	-	-	-	-	48,083	10,744	-	-	-	-	-	-	-	-	-	58,827
Other Countries	109,478	-	-	-	-	486,776	148,354	2,490	17,006	13,951	-	-	-	-	-	-	778,285
Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,023
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>5,670,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,832,686</b>	<b>10,431,490</b>	<b>7,141,125</b>	<b>1,786,684</b>	<b>354,188</b>	<b>3,149,510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>672,015</b>	<b>32,028,184</b>

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

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

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

1. Conditional and unconditional receivables from central governments and Central Banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
6. Conditional and unconditional receivables from banks and brokerage houses
7. Conditional and unconditional receivables from corporates
8. Conditional and unconditional receivables from retail portfolios
9. Conditional and unconditional receivables secured by mortgages
10. Past due receivables
11. Receivables defined under high risk category by BRSA
12. Securities collateralized by mortgages
13. Securitization positions
14. Short-term receivables from banks, brokerage houses and corporates
15. Investments similar to collective investment funds
16. Other receivables



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II. EXPLANATIONS ON CREDIT RISK (Continued)

i. Risk Profile according to sectors and counterparties:

Sectors/Counterparties	Risk Categories (*)																Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
Agricultural	-	-	-	-	-	-	182,989	15,009	6,136	1,598	70	-	-	-	-	112,908	92,894	205,802
Farming and raising livestock	-	-	-	-	-	-	155,433	13,053	5,541	1,164	70	-	-	-	-	100,236	75,025	175,261
Forestry	-	-	-	-	-	-	7,048	1,792	595	434	-	-	-	-	-	6,407	3,462	9,869
Fishing	-	-	-	-	-	-	20,508	164	-	-	-	-	-	-	-	6,265	14,407	20,672
Industry	-	-	-	-	-	-	6,948,140	341,503	358,792	129,555	958	-	-	-	-	3,247,457	4,531,491	7,778,948
Mining	-	-	-	-	-	-	46,717	11,759	6,493	886	-	-	-	-	-	20,747	45,108	65,855
Production	-	-	-	-	-	-	6,742,231	325,291	352,142	128,651	954	-	-	-	-	3,186,783	4,362,486	7,549,269
Electricity, Gas, Water	-	-	-	-	-	-	139,192	4,433	157	18	4	-	-	-	-	39,927	123,897	163,824
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	4,026,627	-	-	-	-	2,438,991	3,311,964	233,697	370,263	43,317	10,005	-	-	-	-	3,878,083	6,456,781	10,334,864
Wholesale and retail trade	-	-	-	-	-	-	1,509,494	163,443	148,757	30,968	4,759	-	-	-	-	966,430	890,991	1,857,421
Hotel and beverage service	-	-	-	-	-	-	290,142	11,194	34,006	1,105	148	-	-	-	-	27,500	309,095	336,595
Transportation and telecommunication	-	-	-	-	-	-	328,817	24,804	26,954	3,933	4,221	-	-	-	-	103,539	285,170	388,729
Financial institutions	-	-	-	-	-	2,438,991	455,969	423	171	-	-	-	-	-	-	2,397,568	4,324,613	6,922,181
Real estate and lending service	4,026,627	-	-	-	-	-	723,460	30,857	59,415	7,216	877	-	-	-	-	178,350	643,475	821,825
Self employment service	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	3	-	3
Education Service	-	-	-	-	-	-	464	802	928	43	-	-	-	-	-	1,710	527	2,237
Health and financial service	-	-	-	-	-	-	3,615	2,174	32	52	-	-	-	-	-	2,963	2,910	5,873
Other	-	-	-	-	-	-	743,934	6,084,675	1,134,282	399,086	2,795,561	-	-	-	-	10,463,653	1,158,141	11,621,793
<b>TOTAL</b>	<b>4,026,627</b>	-	-	-	-	<b>2,438,991</b>	<b>11,187,027</b>	<b>6,571,884</b>	<b>1,769,473</b>	<b>483,556</b>	<b>2,886,594</b>	-	-	-	-	<b>17,702,100</b>	<b>12,239,307</b>	<b>29,941,407</b>

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

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

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II. EXPLANATIONS ON CREDIT RISK (Continued)

i. Risk Profile according to sectors and counterparties (Continued) :

Sectors/Counterparties	Prior Year																Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Agricultural	-	-	-	-	-	-	120,659	14,552	2,982	-	22	-	-	16,254	121,961	130,215	
Farming and raising livestock	-	-	-	-	-	-	82,363	9,193	2,414	-	22	-	-	10,312	83,680	93,992	
Forestry	-	-	-	-	-	-	36,713	3,245	361	-	-	-	-	4,315	36,004	40,319	
Fishing	-	-	-	-	-	-	1,583	2,114	207	-	-	-	-	1,627	2,277	3,904	
Industry	-	-	-	-	-	-	7,251,946	346,970	473,005	118,888	25,122	-	-	2,212,296	6,003,635	8,215,931	
Mining	-	-	-	-	-	-	56,946	5,236	3,027	-	52	-	-	14,008	51,253	65,261	
Production	-	-	-	-	-	-	7,068,284	340,495	469,946	118,888	25,070	-	-	2,197,137	5,825,546	8,022,683	
Electricity, Gas, Water	-	-	-	-	-	-	126,716	1,239	32	-	-	-	-	1,151	128,836	127,987	
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Services	5,670,566	-	-	-	-	2,832,606	2,512,368	135,046	79,773	19,883	962	-	-	4,002,440	7,248,464	11,250,904	
Wholesale and retail trade	-	-	-	-	-	-	1,278,239	108,978	38,735	274	867	-	-	806,990	620,103	1,427,093	
Hotel and beverage service	-	-	-	-	-	-	109,029	1,523	18,936	192	-	-	-	8,145	121,535	129,680	
Transportation and telecommunication	-	-	-	-	-	-	165,218	13,668	4,035	5,166	42	-	-	46,385	141,744	188,129	
Financial institutions	5,670,566	-	-	-	-	2,832,606	260,222	-	-	13,951	-	-	-	3,002,932	5,774,393	8,777,343	
Real estate and lending service	-	-	-	-	-	-	312,100	974	1,439	-	-	-	-	7,595	306,918	314,513	
Self employment service	-	-	-	-	-	-	375,285	9,890	16,392	-	53	-	-	128,817	272,803	401,620	
Education Service	-	-	-	-	-	-	434	-	-	-	-	-	-	391	43	434	
Health and financial service	-	-	-	-	-	-	11,841	13	236	-	-	-	-	1,163	10,925	12,090	
Other	-	-	-	-	-	-	536,517	6,644,557	1,230,924	315,717	3,123,404	-	-	11,770,671	652,463	12,423,134	
<b>TOTAL</b>	<b>5,670,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,832,606</b>	<b>10,421,490</b>	<b>7,141,125</b>	<b>1,786,684</b>	<b>354,188</b>	<b>3,149,510</b>	<b>-</b>	<b>-</b>	<b>18,001,661</b>	<b>14,026,523</b>	<b>32,028,184</b>	

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

1. Conditional and unconditional receivables from central governments and Central Banks
2. Conditional and unconditional receivables from regional or local governments
3. Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4. Conditional and unconditional receivables from multilateral development banks
5. Conditional and unconditional receivables from international organizations
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II. EXPLANATIONS ON CREDIT RISK (Continued)

j. Term distribution of risks with term structure:

Risk Categories	Time to Maturity					Unallocated
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	
Claims on regional governments or local authorities	3 631 393	-	102 127	106 343	186 764	-
Claims on multilateral development banks	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	1 825 044	222 036	75 792	65 483	250 636	-
Claims on corporate	1 933 937	1 889 489	1 495 806	2 436 520	3 431 275	-
Claims included in the regulatory retail portfolios	2 838 301	335 411	971 178	516 446	2 013 548	-
Claims secured by residential property	51 738	74 407	99 531	98 776	1 445 021	-
Past due loan	-	-	-	-	-	483 556
Higher risk categories decided by the Board	-	-	-	101 873	2 704 721	-
Securities collateralized by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	519 232	-	-	-	-	35 023
<b>TOTAL</b>	<b>10,799,645</b>	<b>2,521,343</b>	<b>2,744,434</b>	<b>3,325,441</b>	<b>10,031,965</b>	<b>518,579</b>

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

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

Rating Scores;

1. Receivables from Central Governments or Central Banks
2. Receivables from Banks and Brokerage Houses

are used in risk classes.

While credit quality level grade given by Moody's Ratings International Rating Agency decreases to 3, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of Receivables from Central Governments or Central Banks, Receivables from regional governments or local authorities and receivables from administrative units and non-commercial enterprises.

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

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II. EXPLANATIONS ON CREDIT RISK (Continued)

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

l. Risk Amounts according to Risk Weights:

	Risk Weights										Deducted from Equity
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	
1 Amount Before Credit Risk Mitigation	4 197 357	-	1 647 073	640 984	7 210 454	13 069 064	1 583 789	1 592 160	525	-	9 047
2 Amount After Credit Risk Mitigation	4 547 568	-	1 647 073	2 417 241	5 901 799	12 341 753	1 526 447	1 559 001	525	-	9 047

m. Information on debt securities, treasury bills and other eligible bills:

Current Period 31 December 2014	Trading Financial Assets (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	353.783	526.024	-	879.807
Ba1	-	-	-	-
Ba2	-	-	-	-
<b>Total</b>	<b>353.783</b>	<b>526.024</b>	<b>-</b>	<b>879.807</b>
Prior Period 31 December 2013	Trading Financial Assets (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	517.143	2.245.106	-	2.762.249
Ba1	-	-	-	-
Ba2	-	-	-	-
<b>Total</b>	<b>517.143</b>	<b>2.245.106</b>	<b>-</b>	<b>2.762.249</b>

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II EXPLANATIONS ON CREDIT RISK (Continued)

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

Miscellaneous Information regarding Important Sectors or Counterparty Type:

	Credits			
	Impaired credits	Past due credits	Value adjustments	Provisions
<b>Agricultural</b>	<b>36.579</b>	<b>7.555</b>	<b>151</b>	<b>34.965</b>
Farming and raising livestock	35.004	6.897	138	33.827
Forestry	1.546	558	11	1.109
Fishing	29	100	2	29
<b>Industry</b>	<b>199.542</b>	<b>154.825</b>	<b>3.804</b>	<b>69.026</b>
Mining	6.247	10.589	223	5.332
Production	193.115	143.199	3.548	63.525
Electricity, Gas, Water	180	1.037	33	169
<b>Construction</b>	<b>16.248</b>	<b>33.100</b>	<b>1.044</b>	<b>8.155</b>
<b>Services</b>	<b>80.961</b>	<b>220.191</b>	<b>6.297</b>	<b>42.333</b>
Wholesale and retail trade	61.793	177.344	5.404	29.472
Hotel and beverage service	2.490	24.921	513	1.372
Transportation and telecommunication	8.924	13.889	283	5.237
Financial Institutions	366	924	18	278
Real estate and lending service	125	35	1	126
Self employment service	5.537	-	-	4.692
Education Service	239	399	8	201
Health and financial service	1.487	2.679	70	955
<b>Other</b>	<b>907.230</b>	<b>128.292</b>	<b>5.239</b>	<b>608.468</b>
<b>Total</b>	<b>1.240.560</b>	<b>543.963</b>	<b>16.535</b>	<b>762.947</b>

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

	Opening Balance	Provisions provided during the period	Provision Reversals	Other Adjustments	Closing Balance
Special Provisions	854.468	576.816	668.337	-	762.947
General Provisions	347.299	15.106	-	-	362.405

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II EXPLANATIONS ON CREDIT RISK (Continued)

p. The movement of specific provision of the Bank's loan and other receivables:

	Commercial Loans	Consumer Loan	Credit Cards	Total
1 January 2014	200.079	203.438	450.951	854.468
Transferred during the period	69.830	156.238	350.748	576.816
Collection during the period	32.760	25.642	45.538	103.940
Write-off/sold	82.864	136.868	344.665	564.397
31 December 2014	154.285	197.166	411.496	762.947

	Commercial Loans	Consumer Loan	Credit Cards	Total
1 January 2013	145.849	105.066	231.748	482.663
Transferred during the period	58.229	102.865	233.015	394.109
Collection during the period	3.788	4.493	13.781	22.062
Write-off/sold	211	-	31	242
31 December 2013	200.079	203.438	450.951	854.468

r. Information on types of loans and provisions:

	Commercial Loans	Consumer Loan	Credit Cards	Total
<b>Current Period - 31 December 2014</b>				
Standard loans	10.328.399	4.792.233	3.370.128	18.490.760
Close monitoring loans	309.402	115.557	119.009	543.968
Loans under follow-up	330.790	325.196	584.574	1.240.560
The specific provision (-)	154.285	197.166	411.496	762.947
<b>Total</b>	<b>10.814.306</b>	<b>5.035.820</b>	<b>3.662.215</b>	<b>19.512.341</b>

	Commercial Loans	Consumer Loan	Credit Cards	Total
<b>Prior Period- 31 December 2013</b>				
Standard loans	9.070.289	4.809.384	4.284.812	18.164.485
Close monitoring loans	367.608	101.091	166.325	635.024
Loans under follow-up	310.380	299.605	596.352	1.206.337
The specific provision (-)	200.079	203.438	450.951	854.468
<b>Total</b>	<b>9.548.198</b>	<b>5.006.642</b>	<b>4.596.538</b>	<b>19.151.378</b>

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

	Current Period 31 December 2014 Collateral Value	Prior Period 31 December 2013 Collateral Value
Mortgages	416.550	316.704
Pledged Vehicle	6.634	21.349
Cheques and Notes	274	983
Cash	562	271
<b>Total</b>	<b>424.020</b>	<b>339.307</b>

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**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.

Beside 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 these analysis, it is aimed to be prepared and making fast decisions in regard to the targeted profitability and potential risks.

The limit usages are being monitored through various checkpoints that are the rate of change in the price of main components of market risk (currency risk and interest rate risk), volatility, Present Value Basis Point ("PVBP"), correlation risk and market liquidity risk. Yield curve scenarios, stress scenarios, liquidity, gap, and volatility analysis have been performed consistently. The purposes of these analyses are to be prepared for the possible risks and to make quick decisions regarding the targeted profitability.

Market opportunities have been observed invariably for risk- reducing positions, procedures which provide protection against the risk and insurance transactions if appropriate. Currency and Total Liquidity Ratio, VaR and PVBP limits and excesses in limits, the internal capital requirement and stress test results have been reported top executive and Market Risk Committee as monthly.

**Information on Market Risk:**

	31 December 2014	31 December 2013
	Amount	Amount
(I) Capital obligation for general market risk	28.186	28.494
(II) Capital obligation for specific risk	1.383	4.194
Capital obligation for specific risk in securitisation positions- Standard Method	-	-
(III) Capital obligation for currency risk	30.622	5.348
(IV) Capital obligation for stocks	-	-
(V) Capital obligation for clearing risk	-	-
(VI) Total capital obligation for market risk because of options	54	85
(VII) Capital obligation for counterparty credit risk - Standard Method	30.621	52.099
(VIII) Capital obligation for general market risk	-	-
(IX) Total capital obligation for market risk (I+II+III+IV+V+VI+VII)	90.866	90.220
<b>(X) Amount subject to market risk (12,5 x VIII) or (12,5 x IX)</b>	<b>1.135.825</b>	<b>1.127.750</b>

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III. EXPLANATION ON MARKET RISK (Continued)

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

	Current Period 31 December 2014			Prior Period 31 December 2013		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	27.832	32.291	22.475	40.313	63.361	25.362
Share Certificates Risk	3.283	6.345	1.074	3.175	5.482	1.488
Currency Risk	22.525	42.657	6.561	18.009	68.401	2.887
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	52	61	40	132	207	67
Counterparty Credit Risk	37.378	64.329	23.094	54.152	98.086	12.292
<b>Total Amount Subject to Risk</b>	<b>91.070</b>	<b>123.742</b>	<b>59.902</b>	<b>115.781</b>	<b>162.391</b>	<b>74.619</b>

b .Informations on counterparty risks:

The counterparty credit risk is calculated with "Fair Value Valuation Method" that is mentioned in the Communiqué on "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette No. 28337 on June 28, 2012 and entered into force as of July 1, 2012 and its annex "Derivative financial instruments, repurchase transactions, securities or commodities lending or borrowing transactions, Long Settlement Transactions with Counterparty Credit Risk in Credit Securities Transactions."

Counter party credit risk is calculated for repo, repurchase agreements, derivative transactions and asset purchase and sale commitment. According to the fair value of valuation method is based on the calculations. Costs of reconditioning of agreements that have positive value are obtained with valuation according to fair value of derivative transactions. Potential credit risk amount is obtained by multiplying agreement amounts with the ratios indicated in Regulation attachment. Sum of replacement cost and potential credit risk show the amount of risk. In repo and asset purchase and sale commitment transactions have been increased an appropriate amount of volatility adjustments as informed notification as specified in the relevant articles. It is used main risk exposure to Regulation 5 the implementation of the article.

Quantitative information on Counterparty Risk:

	Current Period 31 December 2014	Prior Period 31 December 2013
Interest Rate Based Contracts	5.475.488	3.560.971
Foreign Currency Based Contracts	47.446.363	45.959.309
Commodity Based Contracts	-	-
Stock-Based Contracts	-	-
Other	-	-
Positive Fair Value Gross Amount	583.161	1.268.560
Benefits of Offsetting	-	-
Offsetting Current Risk Amount	1.249.400	1.805.071
Retained Guarantee	-	-
<b>Net Positions on derivatives</b>	<b>1.249.400</b>	<b>1.805.071</b>



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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 capital adequacy standard ratio calculation table has been initiated as of 28 June 2012 and the "Basic indicator method" is used in the operational risk calculation of the Bank. 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.

	31.12.2011	31.12.2012	31.12.2013	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1.412.009	1.646.469	1.860.264	1.639.581	15	245.937
Value at Operational Risk (Total*12,5)						3.074.212

	31.12.2010	31.12.2011	31.12.2012	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1.400.454	1.412.009	1.646.469	1.486.311	15	222.947
Value at Operational Risk (Total*12,5)						2.786.838

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V. EXPLANATIONS ON CURRENCY RISK

- a. Whether the Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors:

The Bank is acting extremely careful management of foreign currency and usually regulates the currency risk with being attentive not to take open position. The Bank is acting in accordance with legal restrictions and the limits determined by the Board of Directors on the regulation of foreign currency positions.

Currency risk is expressed to the probability of loss of the banks due to changes in foreign exchanges rates. All foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration when calculating the capital requirement of currency risk and the value at risk is calculated using the Standard method.

Position limits determined by the Board of Directors of the Bank are monitored on a daily basis and the Bank also monitored possible changes in the foreign currency transactions.

Balance sheet transactions denominated in foreign currencies are hedged against currency risk by using derivatives as a component of the Bank's risk management strategy

- 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 – 31 December 2014	USD (\$)	Euro (€)
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	2,3330	2,8340
<b>Before Balance Sheet Date</b>		
1. Day Bid Rate	2,3278	2,8337
2. Day Bid Rate	2,3218	2,8305
3. Day Bid Rate	2,3254	2,8373
4. Day Bid Rate	2,3254	2,8373
5. Day Bid Rate	2,3254	2,8373
<b>Current Period – 31 December 2013</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	2,1430	2,9513
<b>Before Balance Sheet Date</b>		
1. Day Bid Rate	2,1225	2,9279
2. Day Bid Rate	2,1540	2,9724
3. Day Bid Rate	2,0803	2,8463
4. Day Bid Rate	2,0803	2,8463
5. Day Bid Rate	2,0803	2,8463

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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 December 2013, the Bank's simple arithmetic average foreign exchange rates for USD is TL 2,2974 (December 2013: TL 2,0659) and exchange rates for Euro TL 2,8290 (December 2013: TL 2,8312).

f. Information related to Bank's Currency Risk:

Current Period – 31 December 2014	EURO	USD	Other FC	Total
<b>Assets</b>				
Cash Equivalents and Central Bank	372.352	1.643.350	592.375	2.608.077
Banks	18.360	810.503	29.629	858.492
Financial Assets at Fair Value through Profit or Loss (Net)	126.229	36.428	8.441	171.098
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale (Net)	-	-	-	-
Loans (*)	2.870.404	3.816.433	53.746	6.740.583
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Investments Held-to-Maturity (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	3.661	10.009	1.121	14.791
<b>Total Assets</b>	<b>3.391.006</b>	<b>6.316.723</b>	<b>685.312</b>	<b>10.393.041</b>
<b>Liabilities</b>				
Bank Deposits	23	35.022	22	35.067
Foreign Currency Deposits	2.104.894	4.895.432	1.028.725	8.029.051
Funds from Interbank Money Market Borrowings	-	-	-	-
Issued Marketable Securities (Net)	1.651.314	5.111.742	6.171	6.769.227
Miscellaneous Payables	145.749	4.733	219	150.701
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	71.300	378.222	47.185	496.707
<b>Total Liabilities</b>	<b>3.973.280</b>	<b>10.425.151</b>	<b>1.082.322</b>	<b>15.480.753</b>
<b>Net on Balance Sheet Position</b>	<b>(582.274)</b>	<b>(4.108.428)</b>	<b>(397.010)</b>	<b>(5.087.712)</b>
<b>Net Off-Balance Sheet Position</b>				
Financial Derivative Assets	578.245	3.776.662	691.567	5.046.474
Financial Derivative Liabilities	2.730.775	23.424.387	1.016.397	27.171.559
Non-cash Loans	2.152.530	19.647.725	324.830	22.125.085
	315.039	2.002.816	34.761	2.352.616
<b>Prior Period - 31 December 2013</b>				
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
<b>Net on-Balance Sheet Position</b>	<b>(488.811)</b>	<b>(2.644.937)</b>	<b>(870.019)</b>	<b>(4.003.767)</b>
<b>Net off-Balance Sheet Position</b>	<b>463.517</b>	<b>2.672.452</b>	<b>878.232</b>	<b>4.014.201</b>
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 31 December 2014, loans consists of foreign indexed loans amounting to TL 1.951.429 (31 December 2013: TL 1.728.042) and foreign factoring receivables amounting to TL 15.793 (31 December 2013: TL 8.752).

(\*\*) As of 31 December 2014, other assets does not consist of prepaid expenses amounting to TL 79 (31 December 2013: TL 1.108).

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

As of 31 December 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 – 31 December 2014		Prior Period – 31 December 2013	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	(33.177)	(33.177)	2.752	2.752
Euro	(403)	(403)	(2.529)	(2.529)
Other	29.456	29.456	821	821
<b>Total</b>	<b>(4.124)</b>	<b>(4.124)</b>	<b>1.044</b>	<b>1.044</b>

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

As of 31 December 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

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

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

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

Current Period – 31 December 2014	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash Equivalents and Central Bank	2.468.438	-	-	-	-	1.037.220	3.505.658
Banks	1.696.593	-	-	-	-	146.171	1.842.764
Financial Assets at Fair Value Through Profit or Loss (Net)	538.405	240.928	164.832	19.676	8.224	2.875	974.940
Interbank Money Market Placements	6.833.606	-	-	-	-	-	6.833.606
Financial Assets Available-for-Sale (Net)	42.535	154.696	328.793	-	-	4.225	530.249
Loans (*)	6.388.432	3.831.499	3.678.076	3.955.101	1.181.620	477.613	19.512.341
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	621.930	621.930
<b>Total Assets</b>	<b>17.968.009</b>	<b>4.227.123</b>	<b>4.171.701</b>	<b>3.974.777</b>	<b>1.189.844</b>	<b>2.290.034</b>	<b>33.821.488</b>
<b>Liabilities</b>							
Bank Deposits	388.599	-	-	-	-	47.713	436.312
Other deposits	12.620.633	2.409.993	345.425	22.919	-	3.205.034	18.604.004
Funds from Interbank Money Market	395.596	-	-	-	-	-	395.596
Miscellaneous Payables	-	-	-	-	-	593.862	593.862
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	4.983.154	1.703.913	2.374.911	214.452	452	5.179	9.282.061
Other Liabilities (**)	189.395	137.396	85.400	666.973	40.480	3.390.009	4.509.653
<b>Total Liabilities</b>	<b>18.577.377</b>	<b>4.251.302</b>	<b>2.805.736</b>	<b>904.344</b>	<b>40.932</b>	<b>7.241.797</b>	<b>33.821.488</b>
Balance Sheet Long Position	-	-	1.365.965	3.070.433	1.148.912	-	5.585.310
Balance Sheet Short Position	(609.368)	(24.179)	-	-	-	(4.951.763)	(5.585.310)
Off Balance Sheet Long Position	9.620	-	57.392	6.830	-	-	73.842
Off Balance Sheet Short Position	-	(35.087)	-	-	-	-	(35.087)
<b>Total Position</b>	<b>(599.748)</b>	<b>(59.266)</b>	<b>1.423.357</b>	<b>3.077.263</b>	<b>1.148.912</b>	<b>(4.951.763)</b>	<b>38.755</b>

(\*) Loans include factoring receivables amounting to TL 178.305.

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

Prior Period - 31 December 2013	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash Equivalents 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
<b>Total Assets</b>	<b>14 989 776</b>	<b>6 346 386</b>	<b>4 507 923</b>	<b>4 081 707</b>	<b>1 327 331</b>	<b>4 975 515</b>	<b>36 228 638</b>
<b>Liabilities</b>							
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	2 504 877	2 296 600	1 957 786	1 868 170	2 054 830	-	10 682 263
Other Liabilities (**)	288 617	495 664	492 859	701 751	4 388	3 393 043	5 376 322
<b>Total Liabilities</b>	<b>16 614 830</b>	<b>4 891 059</b>	<b>2 905 066</b>	<b>2 588 892</b>	<b>2 059 218</b>	<b>7 169 573</b>	<b>36 228 638</b>
Balance Sheet Long Position	-	1 455 327	1 602 857	1 492 815	-	-	4 550 999
Balance Sheet Short Position	(1 625 054)	-	-	-	(731 887)	(2 194 058)	(4 550 999)
Off Balance Sheet Long Position	108 797	-	-	497	-	-	109 294
Off Balance Sheet Short Position	-	(135 942)	(122 029)	-	-	-	(257 971)
<b>Total Position</b>	<b>(1 516 257)</b>	<b>1 319 385</b>	<b>1 480 828</b>	<b>1 493 312</b>	<b>(731 887)</b>	<b>(2 194 058)</b>	<b>(1 48 677)</b>

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

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

b. Effective average interest rates for monetary financial instruments:

Current Period – 31 December 2014	Euro	US Dollar	Yen	TL
<b>Assets</b>	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	1,51
Banks	-	1,19	-	10,45
Financial Assets at Fair Value Through Profit or Loss (Net)	5,14	7,10	-	6,51
Interbank Money Market Placements	-	-	-	11,24
Financial Assets Available-for-Sale (Net)	-	-	-	7,43
Loans	4,16	3,91	-	11,29
<b>Liabilities</b>				
Bank Deposits	-	0,45	-	11,24
Other Deposits	1,12	1,35	0,90	9,30
Funds From Interbank Money Market	-	-	-	8,25
Borrowings	1,71	1,72	-	10,06
<b>Prior Period - 31 December 2013</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>	%	%	%	%
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
<b>Liabilities</b>				
Bank Deposits	-	0,37	-	8,27
Other Deposits	1,57	1,84	1,94	8,12
Funds From Interbank Money Market	-	-	-	4,29
Borrowings	1,24	0,61	2,00	8,49

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.

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

(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

31 December 2014	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(317.579)	(7,55)%
2. TL	(400)	329.588	7,83%
3. EUR	200	81.332	1,93%
4. EUR	(200)	(12.804)	(0,30)%
5. USD	200	64.576	1,53%
6. USD	(200)	(73.262)	(1,74)%
Total (of negative shocks)		243.522	5,79%
Total (of positive shocks)		(171.671)	(4,09)%

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. EUR	(400)	427.651	10,10%
3. USD	200	18.440	0,44%
4. TL	(200)	(3.419)	(0,08)%
5. EUR	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.

In accordance with the Communiqué on the Measurement and Assessment of Liquidity of the Banks published in the Official Gazette dated 1 November 2006, liquidity ratio of the banks on a weekly and monthly basis should be 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should be 100%. Liquidity ratios of the Bank as at 2014 and 2013 are presented below:

Foreign Currency		
Current Period - 31 December 2014	I. Maturity Tranche	II. Maturity Tranche
Average	131,66	116,01
Maximum	186,53	129,38
Minimum	93,62	92,82
<b>Total</b>		
Current Period - 31 December 2014	I. Maturity Tranche	II. Maturity Tranche
Average	129,84	119,33
Maximum	156,77	132,73
Minimum	116,51	108,89
Foreign Currency		
Prior Period - 31 December 2013	I. Maturity Tranche	II. Maturity Tranche
Average	127,81	113,48
Maximum	208,93	140,71
Minimum	93,55	92,61
<b>Total</b>		
Prior Period - 31 December 2013	I. Maturity Tranche	II. Maturity Tranche
Average	125,03	114,51
Maximum	150,63	122,72
Minimum	113,86	108,25

- 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 – 31 December 2014	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated	Total
<b>Assets</b>								
Cash Equivalents and Central Bank	1.037.220	2.468.438	-	-	-	-	-	3.505.658
Banks	146.171	1.696.593	-	-	-	-	-	1.842.764
Financial Assets at Fair Value through Profit or Loss (Net)	2.875	520.293	105.658	147.046	132.754	66.314	-	974.940
Interbank Money Market Placements	-	6.833.606	-	-	-	-	-	6.833.606
Financial Assets Available-for-Sale (Net)	-	42.365	97.522	198.770	187.204	163	4.225	530.249
Loans (*)	-	5.299.187	2.583.700	3.890.984	5.752.257	1.508.600	477.613	19.512.341
Investments Held-to-maturity (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	83.891	31.537	13.274	33.360	-	459.868	621.930
<b>Total Assets</b>	<b>1.186.266</b>	<b>16.944.373</b>	<b>2.818.417</b>	<b>4.250.074</b>	<b>6.105.575</b>	<b>1.575.077</b>	<b>941.706</b>	<b>33.821.488</b>
<b>Liabilities</b>								
Bank Deposits	47.713	388.599	-	-	-	-	-	436.312
Other Deposits	3.205.034	12.620.633	2.409.993	345.425	22.919	-	-	18.604.004
Funds Borrowed	5.179	4.388.240	372.776	976.277	2.466.494	1.073.095	-	9.282.061
Funds from Interbank Money Market	-	395.596	-	-	-	-	-	395.596
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	436.926	92.469	62.264	2.203	-	-	593.862
Other Liabilities (***)	-	180.558	137.396	201.565	559.449	40.676	3.390.009	4.509.653
<b>Total Liabilities</b>	<b>3.257.926</b>	<b>18.410.552</b>	<b>3.012.634</b>	<b>1.585.531</b>	<b>3.051.065</b>	<b>1.113.771</b>	<b>3.390.009</b>	<b>33.821.488</b>
<b>Net Liquidity Gap</b>	<b>(2.071.660)</b>	<b>(1.466.179)</b>	<b>(194.217)</b>	<b>2.664.543</b>	<b>3.054.510</b>	<b>461.306</b>	<b>(2.448.303)</b>	<b>-</b>
<b>Prior Period - 31 December 2013</b>								
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
<b>Net Liquidity Gap</b>	<b>(2.618.967)</b>	<b>(640.856)</b>	<b>1.136.599</b>	<b>980.376</b>	<b>2.660.185</b>	<b>902.833</b>	<b>(2.420.170)</b>	<b>-</b>

(\*) As of 31 December 2014, loans includes the factoring receivables amounting to TL 178.305 (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.

f. Breakdown of liabilities according to their remaining contractual maturities:

Current Period - 31 December 2014	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Bank Deposits	436.427	-	-	-	-	436.427
Other Deposits	16.331.455	1.973.544	341.683	23.569	-	18.670.251
Payables to Money Market	395.657	-	-	-	-	395.657
Borrowings	4.394.332	370.679	973.522	2.758.345	1.073.262	9.570.140
<b>Total</b>	<b>21.557.871</b>	<b>2.344.223</b>	<b>1.315.205</b>	<b>2.781.914</b>	<b>1.073.262</b>	<b>29.072.475</b>
<b>Prior Period - 31 December 2013</b>						
Bank Deposits	663.712	2.129	6.378	-	-	672.219
Other Deposits	14.398.350	2.100.517	467.492	20.076	-	16.986.435
Payables to Money Market	2.025.908	-	-	-	-	2.025.908
Borrowings	3.537.604	-	2.019.760	4.375.658	1.530.067	11.463.089
<b>Total</b>	<b>20.625.574</b>	<b>2.102.646</b>	<b>2.493.630</b>	<b>4.395.734</b>	<b>1.530.067</b>	<b>31.147.651</b>

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**VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)**

**g. Explanations on securitisation positions:**

None.

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

Current Period - 31 December 2014	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over	Total
<b>Derivatives held for trading</b>						
<b>Foreign exchange derivatives:</b>						
- Inflow	11.603.566	13.201.093	12.756.735	4.070.043	873.583	42.505.020
- Outflow	11.622.011	13.174.978	12.775.634	3.945.881	716.584	42.235.088
<b>Interest rate derivatives:</b>						
- Inflow	-	-	-	3.384.885	2.090.703	5.475.588
- Outflow	-	-	-	3.384.885	2.090.703	5.475.588
<b>Total Inflow</b>	<b>11.603.566</b>	<b>13.201.093</b>	<b>12.756.735</b>	<b>7.454.928</b>	<b>2.964.286</b>	<b>47.980.608</b>
<b>Total Outflow</b>	<b>11.622.011</b>	<b>13.174.978</b>	<b>12.775.634</b>	<b>7.330.766</b>	<b>2.807.287</b>	<b>47.710.676</b>

Prior Period - 31 December 2013	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over	Total
<b>Derivatives held for trading</b>						
<b>Foreign exchange derivatives:</b>						
- Inflow	3.487.114	12.110.140	24.380.649	3.733.460	472.529	44.183.892
- Outflow	3.456.431	12.133.264	24.753.535	3.668.644	365.969	44.377.843
<b>Interest rate derivatives:</b>						
- Inflow	-	2.518.025	951.412	1.998.134	1.690.914	7.158.485
- Outflow	-	2.518.025	951.412	1.998.134	1.690.914	7.158.485
<b>Total Inflow</b>	<b>3.487.114</b>	<b>14.628.165</b>	<b>25.332.061</b>	<b>5.731.594</b>	<b>2.163.443</b>	<b>51.342.377</b>
<b>Total Outflow</b>	<b>3.456.431</b>	<b>14.651.289</b>	<b>25.704.947</b>	<b>5.666.778</b>	<b>2.056.883</b>	<b>51.536.328</b>

**VIII. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES**

**a. Net-off made with the process and policies according to balance sheet and off-balance sheet and the level of the net-off usage of the Bank:**

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

**b. Explanations on valuation and management of collaterals:**

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.

**c. Received main collateral types:**

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 no. 37 of the above mentioned regulation.

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VIII. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES (Continued)

d. Main guarantees and counter party of credit derivatives and their credit worthiness:

None.

e. Information on market risks and credit risks concentrations related to credit reduction:

None.

f. Collaterals based on risk classifications:

Risk Classifications- 31 December 2014	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	4 027 395	-	-	-
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	2 736 068	-	-	-
Conditional and unconditional receivables from Corporates	12 503 546	236 189	-	-
Conditional and unconditional retail receivables	12 802 235	85 464	-	-
Conditional and unconditional receivables secured by Mortgages	1 801 435	-	-	-
Past due receivables	483 556	451	-	-
Receivables defined in high risk category by BRSA	2 806 610	56 496	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	554 255	-	-	-
<b>Total</b>	<b>37.715.100</b>	<b>378.600</b>	-	-

(\*) Before credit risk mitigation, after credit conversion factor risk amounts are given.

IX. RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

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

Risk Management Policies; have been updated considering legal regulations, operations and all risks that the Bank is facing and went into effect by approval of the Board of Directors.

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**IX. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

The Top Management is responsible of taking initiative under the authority granted to them if there are any unexpected situations and timely and confidential reporting of major risks that the Bank facing to the Board of Directors.

Every personnel of the Bank responsible with, operations carried on properly with legal regulations, bank’s policy and internal legislation. Every personnel is responsible of fulfilling their responsibilities, informing immediately the top management if they are facing unethical attitudes or situations against bank policies and illegal operations for providing effective risk management.

In the process of risk management, within the internal systems, Risk Management Department, Internal Control Department, Regulatory Compliance Unit and Internal Audit Department operates under the Board of Directors.

Units other than internal systems and all staff’s responsibilities for the process are determined on Risk Management Policies.

Risk Limits are determined for the market, credit, and operational risks, The Bank organized detailed Risk Limits applications with Risk Limits Application Guidance.

New products and services offered by the Bank are subject to careful consideration. The process of presentation of new products and services are determined with in-bank regulations.

Accordance with the regulations and standards of the bank, ensuring the information security policies and procedures for confidentiality, integrity and availability of information are determined on Information Security Policy and Information Security Risk Application Instruction.

The Bank constantly evaluates the types, components, and distribution of capital that considered sufficient for incurred or might be incurred risks. This process is determined on Internal Evaluation Process for Capital Requirement Application Instruction in detail.

The Bank diversifies its loan portfolios taking into account the target products, customer base and general credit strategy. Credit concentrations are monitored on the basis of sector and consolidated groups. The risk of condensation is monitored within the scope of credit risk.

The Bank has restructured the necessary framework properly for the operational risk management. Current and potential operational risks are identified and assessed at least once a year. Reasons of losses use to operational risks are analyzed and these reasons are recorded.

Risks are gauged with Risk Control Evaluation studies and key risk indicators are created for high-risk points. Benefiting from results of Risk and Control Evaluation Process, internal and external audits, the findings of the regulatory authority, operational risk events lessons, aimed to continuous improvement of controls and minimize losses from operational risks. Precautions are provided for eliminating high risk issues that determined by tools such as analysis of operational losses and lack of systematical and/or procedural control.

The Bank is applying stress tests on a regular basis in order to measure effects of changes in risk factors on the bank’s capital and income and expenses, and assess the possible impact of unexpected market conditions and events on basic area of activity. Stress tests are used to estimate possible losses from market conditions and economic environment and economic capital to cover these losses. It is also used to define possible events and changes in market conditions may adversely affect the Bank. It is composed of a single factor sensitivity analysis and multi-factor scenario analysis.

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

**a. Explanations on calculation of financial assets and liabilities at their fair values:**

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair values of the overnight deposits and floating rate placements represent the carrying value. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the market interest rates of similar liabilities and loans.

The estimated fair value of loans and borrowing with bank placements is determined by calculating the discounted cash flow using the current market rates for the loans with fixed rate. For the loans with floating interest rates, it is assumed that carrying value reflects the fair value.

Available-for-sale financial assets at fair value of shares of the bank, which they are traded in the market at the reporting date, calculated based on the determined closing prices. The fair value of the shares that not traded in the market is determined by its cost. Government debt securities classified as available-for-sale financial assets have been measured by fair value that are used price that on the market. Thus, there is no difference between their fair value and carrying value.

	Carrying Value		Fair Value	
	Current Period 31 December 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013
<b>Financial Assets</b>	<b>28.718.960</b>	<b>29.845.535</b>	<b>29.434.059</b>	<b>30.521.189</b>
Interbank Money Market Placements	6.833.606	6.787.257	6.833.606	6.787.257
Banks	1.842.764	1.657.569	1.846.653	1.655.761
Financial Assets Available-for-Sale (Net)	530.249	2.249.331	530.249	2.249.331
Investments Held-to-Maturity (Net)	-	-	-	-
Loans (*)	19.512.341	19.151.378	20.223.551	19.828.840
<b>Financial Liabilities</b>	<b>28.916.239</b>	<b>28.826.740</b>	<b>29.482.266</b>	<b>29.559.909</b>
Bank Deposits	436.312	671.856	436.312	671.856
Other Deposits	18.604.004	16.936.576	18.662.529	16.988.584
Borrowing	9.282.061	10.682.263	9.789.563	11.363.424
Securities Issued	-	-	-	-
Miscellaneous Payables	593.862	536.045	593.862	536.045

(\*) Includes the factoring receivables amounting to TL 178.305 (31 December 2013: TL 55.099).

**b. Explanations on fair value hierarchy:**

Aforesaid classifications related to fair values are determined as follows;

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

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X. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES (Continued)

Current Period - 31 December 2014	1st Level	2nd Level	3rd Level	Total
<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>353.783</b>	<b>654.581</b>	-	<b>1.008.364</b>
- Government debt securities	353.783	-	-	353.783
- Share certificates	-	-	-	-
- Trading derivative financial assets (**)	-	654.581	-	654.581
- Other securities (*)	-	-	-	-
<b>Available for Sale Financial Assets</b>	<b>526.024</b>	-	-	<b>526.024</b>
- Government debt securities	526.024	-	-	526.024
- Other marketable securities	-	-	-	-
<b>Total Assets</b>	<b>879.807</b>	<b>654.581</b>	-	<b>1.534.388</b>
Trading Derivative Financial Liabilities (**)	-	512.255	-	512.255
<b>Total Liabilities</b>	-	<b>512.255</b>	-	<b>512.255</b>
<b>Prior Period - 31 December 2013</b>	<b>1st Level</b>	<b>2nd Level</b>	<b>3rd Level</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>517.159</b>	<b>1.406.946</b>	-	<b>1.924.105</b>
- Government debt securities	517.143	-	-	517.143
- Share certificates	-	-	-	-
- Trading derivative financial assets	16	1.406.946	-	1.406.962
- Other securities	-	-	-	-
<b>Available for Sale Financial Assets</b>	<b>2.245.106</b>	-	-	<b>2.245.106</b>
- Government debt securities	2.245.106	-	-	2.245.106
- Other marketable securities	-	-	-	-
<b>Total Assets</b>	<b>2.762.265</b>	<b>1.406.946</b>	-	<b>4.169.211</b>
Trading Derivative Financial Liabilities	20	1.308.356	-	1.308.376
<b>Total Liabilities</b>	<b>20</b>	<b>1.308.356</b>	-	<b>1.308.376</b>

(\*) Due to the fact that the amounts of fund certificates that were recognised under financial assets at fair value through profit or loss and Kredi Garanti Fonu that is recognised under the financial assets available-for-sale are classified with their acquisition cost, they are not included in the table below.

(\*\*) It includes hedging derivative financial assets and liabilities.

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

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

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

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

The Bank has no fiduciary transactions.

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**XII. EXPLANATIONS ON OPERATING SEGMENTS**

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

In the retail banking segment, the Bank provides debit card, credit card, deposits, consumer loan, payment and collection, premier customer services, custodian services, financial planning, insurance products services. In corporate and commercial banking segment, the Bank provides loans, commercial card, foreign trade financing, structured trading financing, project and export financing, syndications, custodian services, cash and risk management services. In the corporate and investment banking segment, 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
<b>Current Period – 31 December 2014</b>					
Operating Income	1.185.889	493.514	180.112	-	1.859.515
Other	-	-	-	-	-
<b>Operating Income</b>	<b>1.185.889</b>	<b>493.514</b>	<b>180.112</b>	<b>-</b>	<b>1.859.515</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(252.265)	119.034	82.441	-	(50.790)
<b>Profit before Tax</b>	<b>(252.265)</b>	<b>119.034</b>	<b>82.441</b>	<b>-</b>	<b>(50.790)</b>
Corporate Tax Provision (*)	-	-	-	(5.135)	(5.135)
<b>Profit after Tax</b>	<b>(252.265)</b>	<b>119.034</b>	<b>82.441</b>	<b>(5.135)</b>	<b>(55.925)</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(252.265)</b>	<b>119.034</b>	<b>82.441</b>	<b>(5.135)</b>	<b>(55.925)</b>
Segment Assets	9.119.225	11.450.640	13.216.600	-	33.786.465
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>9.119.225</b>	<b>11.450.640</b>	<b>13.251.353</b>	<b>270</b>	<b>33.821.488</b>
Segment Liabilities	18.795.826	5.399.811	9.625.851	-	33.821.488
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>18.795.826</b>	<b>5.399.811</b>	<b>9.625.851</b>	<b>-</b>	<b>33.821.488</b>
<b>Other Segment Items</b>	<b>(110.579)</b>	<b>(7.824)</b>	<b>(3.765)</b>	<b>-</b>	<b>(122.168)</b>
Capital Investment	-	-	-	-	-
Amortization	(38.958)	(7.824)	(2.895)	-	(49.677)
Impairment	-	-	(870)	-	(870)
Non-Cash Other Income-Expense	(71.621)	-	-	-	(71.621)

(\*) Corporate tax provision is not distributed.



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XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
<b>Prior Period – 31 December 2013</b>					
Operating Income	1.102.603	473.263	281.024	-	1.856.890
Other	-	-	-	-	-
<b>Operating Income</b>	<b>1.102.603</b>	<b>473.263</b>	<b>281.024</b>	<b>-</b>	<b>1.856.890</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(291.021)	36.524	320.311	-	65.814
<b>Profit before Tax</b>	<b>(291.021)</b>	<b>36.524</b>	<b>320.311</b>	<b>-</b>	<b>65.814</b>
Corporate Tax Provision (*)	-	-	-	(36.030)	(36.030)
<b>Profit after Tax</b>	<b>(291.021)</b>	<b>36.524</b>	<b>320.311</b>	<b>(36.030)</b>	<b>29.784</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(291.021)</b>	<b>36.524</b>	<b>320.311</b>	<b>(36.030)</b>	<b>29.784</b>
Segment Assets	10.306.985	10.944.349	14.942.281	-	36.193.615
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>10.306.985</b>	<b>10.944.349</b>	<b>14.977.034</b>	<b>270</b>	<b>36.228.638</b>
Segment Liabilities	16.723.922	6.566.962	12.937.754	-	36.228.638
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>16.723.922</b>	<b>6.566.962</b>	<b>12.937.754</b>	<b>-</b>	<b>36.228.638</b>
<b>Other Segment Items (**)</b>	<b>134.002</b>	<b>(7.673)</b>	<b>(5.410)</b>	<b>-</b>	<b>120.919</b>
Capital Investment	-	-	-	-	-
Amortization	(42.101)	(7.673)	(2.124)	-	(51.898)
Impairment	-	-	(3.286)	-	(3.286)
Non-Cash Other Income-Expense	176.103	-	-	-	176.103

(\*) Corporate tax provision is not distributed.

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED  
FINANCIAL STATEMENTS

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 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Cash/Foreign Currency	221.235	127.391	227.581	142.946
The CBRT	676.346	2.468.449	67.313	3.248.491
Other (*)	-	12.237	22	12.920
<b>Total</b>	<b>897.581</b>	<b>2.608.077</b>	<b>294.916</b>	<b>3.404.357</b>

(\*) As of 31 December 2014, account of Precious Metal is amounting to TL 12.237 (31 December 2013: TL 12.920)

2. Information related to balances with the CBRT:

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Unrestricted Demand Deposit	676.346	10	67.313	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Account	-	-	-	-
Reserve Requirement	-	2.468.439	-	3.248.491
<b>Total</b>	<b>676.346</b>	<b>2.468.449</b>	<b>67.313</b>	<b>3.248.491</b>

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 31 December 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%).

As of November 2014, based on press announcement of CBRT no. 2014/72 dated 21 October 2014 interest is paid for TL reserve deposits. As of liabilities record dated 13 February 2015, Banks are required to keep a deposit at the CBRT between 6% and 18% for USD and/or Euro and standard gold in accordance with the structure of deposits and liabilities off-deposit.

As of 1 February 2015, based on press announcement of CBRT no. 2014/05 dated 23 January 2015 Banks pay 0,2% commission per year for their Euro accounts in blocked reserve deposits and deposits on 2 days notification at the CBRT.

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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 31 December 2014, the Bank has financial assets at fair value through profit or loss given as collateral/blocked amounting to TL 22.166 (31 December 2013: None).

As of 31 December 2014, the Bank has financial assets at fair value through profit or loss subject to repurchase agreement amounting to TL 269.808 (31 December 2013: TL 392.839).

As of 31 December 2014, the Bank has financial assets at fair value through profit or loss in unrestricted account amounting TL 64.684 (31 December 2013: TL 134.617).

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

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Forward Transactions	12.599	36.524	6.610	194.630
Swap Transactions	450.998	101.905	60.440	1.037.613
Futures Transactions	-	-	-	16
Options	-	16.256	-	107.653
Other	-	-	-	-
<b>Total</b>	<b>463.597</b>	<b>154.685</b>	<b>67.050</b>	<b>1.339.912</b>

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	899.523	466.957	461.344	1.035.814
Foreign	84.749	391.535	40.864	119.547
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>984.272</b>	<b>858.492</b>	<b>502.208</b>	<b>1.155.361</b>

2. Information on foreign banks balances:

	Unrestricted Amount		Restricted Amount	
	Current Period 31 December 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013
European Union Countries	7.163	22.865	-	-
USA, Canada	330.295	36.912	-	-
OECD Countries (*)	1.371	392	-	-
Off-Shore Banking Regions	1.144	331	-	-
Other	260	560	136.051	99.351
<b>Total</b>	<b>340.233</b>	<b>61.060</b>	<b>136.051</b>	<b>99.351</b>

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

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

**d. Information on financial assets available-for-sale, net values:**

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

As of 31 December 2014, the Bank has financial assets available for sale given as collateral/blocked amounting to TL 392.104 (31 December 2013: TL 501.618).

As of 31 December 2014 the Bank has financial assets available for sale subject to repurchase agreement amounting to TL 125.789 (31 December 2013: TL 1.659.680).

As of 31 December 2014 the Bank has no financial assets available for sale in unrestricted account accounting to TL 12.356 (31 December 2013: TL 88.033).

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

	Current Period 31 December 2014	Prior Period 31 December 2013
<b>Debt Securities</b>	527.324	2.268.948
Quoted to Stock Exchange	527.324	2.268.948
Not Quoted	-	-
<b>Share Certificate</b>	4.225	4.225
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.225	4.225
<b>Impairment Provision (-)</b>	1.300	23.842
<b>Total</b>	<b>530.249</b>	<b>2.249.331</b>

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

**e. Information related to loans:**

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

	Current Period 31 December 2014		Prior Period 31 December 2013	
	Cash	Non-cash	Cash	Non-cash
<b>Direct Loans Granted to Shareholders</b>	85	171.562	2.532	199.765
Corporate Shareholders	85	171.562	2.532	199.765
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	3.879	415.922	11.984	460.588
<b>Loans Granted to Employees</b>	26.518	-	31.931	-
<b>Total</b>	<b>30.482</b>	<b>587.484</b>	<b>46.447</b>	<b>660.353</b>

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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	Payment Plan Extensions	Loans and Other Receivables	Agreement Terms Modified	Other
Non-specialised Loans	17.823.106	667.654	-	439.605	104.363	-
Commercial Loans	7.664.731	469.757	-	182.180	78.727	-
Export Loans	1.030.038	109.674	-	15.133	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	69.194	-	-	-	-	-
Consumer Loans	4.738.797	55.693	-	93.877	19.422	-
Credit Cards	3.370.128	-	-	119.009	-	-
Other (*)	950.218	32.530	-	29.406	6.214	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
	17.823.106	667.654	-	439.605	104.363	-

(\*) Includes the factoring receivables amounting to TL 178.305.

	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
<b>Number of Modifications Made to Extend Payment Plan</b>		
Extended by 1 or 2 times	661.594	100.600
Extended by 3, 4 or 5 times	6.020	3.763
Extended by more than 5 times	40	-

	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
<b>Extended period of time</b>		
0 – 6 Months	36.835	1.363
6 – 12 Months	352.055	5.305
1 – 2 Years	159.932	65.852
2 – 5 Years	104.920	29.842
5 years or more	13.912	2.001

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

3. Breakdown of loans according to their maturities:

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Short-Term Loans and Other Receivables</b>	<b>8.947.416</b>	<b>388.890</b>	<b>230.743</b>	<b>6.668</b>
Non-Specialized Loans (*)	8.947.416	388.890	230.743	6.668
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	<b>8.875.690</b>	<b>278.764</b>	<b>208.862</b>	<b>97.695</b>
Non-Specialized Loans	8.875.690	278.764	208.862	97.695
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

(\*) Includes the factoring receivables amounting to TL 178.305.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
<b>Consumer Loans-TL</b>	<b>100.965</b>	<b>4.473.152</b>	<b>4.574.117</b>
Mortgage Loans	517	1.473.013	1.473.530
Automotive Loans	28	6.158	6.186
Consumer Loans	100.420	2.993.981	3.094.401
Other	-	-	-
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>7.178</b>	<b>7.178</b>
Mortgage Loans	-	7.119	7.119
Automotive Loans	-	-	-
Consumer Loans	-	59	59
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>3.408.185</b>	<b>45.644</b>	<b>3.453.829</b>
Installment	1.214.767	45.644	1.260.411
Non Installment	2.193.418	-	2.193.418
<b>Individual Credit Cards-FC</b>	<b>7.385</b>	<b>-</b>	<b>7.385</b>
Installment	-	-	-
Non Installment	7.385	-	7.385
<b>Personnel Loans-TL</b>	<b>2.082</b>	<b>16.528</b>	<b>18.610</b>
Mortgage Loans	-	19	19
Automotive Loans	-	-	-
Consumer Loans	1.816	16.509	18.325
Other	266	-	266
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>7.854</b>	<b>-</b>	<b>7.854</b>
Installment	3.295	-	3.295
Non Installment	4.559	-	4.559
<b>Personnel Credit Cards-FC</b>	<b>54</b>	<b>-</b>	<b>54</b>
Installment	-	-	-
Non Instalment	54	-	54
<b>Overdraft Account-TL (Individual)</b>	<b>307.884</b>	<b>-</b>	<b>307.884</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>3.834.409</b>	<b>4.542.502</b>	<b>8.376.911</b>

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
<b>Commercial Installment Loans-TL</b>	<b>57.786</b>	<b>578.815</b>	<b>636.601</b>
Mortgage Loans	-	4.485	4.485
Automotive Loans	166	6.906	7.072
Consumer Loans	57.620	567.424	625.044
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>27.702</b>	<b>333.844</b>	<b>361.546</b>
Mortgage Loans	-	13.721	13.721
Automotive Loans	281	8.998	9.279
Consumer Loans	27.421	311.125	338.546
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>19.368</b>	<b>7</b>	<b>19.375</b>
Installment	5.598	7	5.605
Non Installment	13.770	-	13.770
<b>Corporate Credit Cards-FC</b>	<b>640</b>	<b>-</b>	<b>640</b>
Instalment	-	-	-
Non Installment	640	-	640
<b>Overdraft Account-TL (Commercial)</b>	<b>62.844</b>	<b>-</b>	<b>62.844</b>
<b>Overdraft Account-FC (Commercial)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>168.340</b>	<b>912.666</b>	<b>1.081.006</b>

6. Loans according to types of borrowers:

	Current Period 31 December 2014	Prior Period 31 December 2013
Public	-	-
Private	19.034.728	18.799.509
<b>Total</b>	<b>19.034.728</b>	<b>18.799.509</b>

(\*) Includes the factoring receivables amounting to TL 178.305 (31 December 2012: TL 55.099).

7. Domestic and foreign loans:

	Current Period 31 December 2014	Prior Period 31 December 2013
Domestic Loans	18.645.850	18.403.993
Foreign Loans	388.878	395.516
<b>Total</b>	<b>19.034.728</b>	<b>18.799.509</b>

(\*) Includes the factoring receivables amounting to TL 178.305 (31 December 2012: TL 55.099).

8. Loans granted to investments in associates and subsidiaries:

	Current Period 31 December 2014	Prior Period 31 December 2013
Direct Loans Granted to Associates and Subsidiaries	-	55
Indirect Loans Granted to Associates and Subsidiaries	-	-
<b>Total</b>	<b>-</b>	<b>55</b>



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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

9. Specific provisions for loans:

	Current Period 31 December 2014	Prior Period 31 December 2013
Loans and Receivables with Limited Collectability	41.785	26.964
Loans and Receivables with Doubtful Collectability	143.213	110.370
Uncollectible Loans and Receivables	577.949	717.134
<b>Total</b>	<b>762.947</b>	<b>854.468</b>

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
<b>Current Period: 31 December 2014</b>	<b>1.732</b>	<b>1.863</b>	<b>16.610</b>
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	1.732	1.863	16.610
Rescheduled Loans and Other Receivables	-	-	-
<b>Prior Period: 31 December 2013</b>	<b>7.130</b>	<b>7.644</b>	<b>17.910</b>
(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
<b>Prior Period Balances at the End of the 31 December 2013</b>	<b>151.285</b>	<b>254.591</b>	<b>800.461</b>
Additions (+)	780.450	3.548	34.602
Transfers from Other Categories of Non-Performing Loans (+)	2.603	624.862	492.048
Transfers to Other Categories of Non-Performing Loans (-)	627.040	488.008	4.464
Collections (-)	45.881	83.973	85.148
Write-offs (-) (*)	-	-	569.376
Corporate and Commercial Loans	-	-	85.161
Retail Loans	-	-	139.871
Credit Cards	-	-	344.344
Other	-	-	-
<b>Balance at the End of the Period: 31 December 2014</b>	<b>261.417</b>	<b>311.020</b>	<b>668.123</b>
Specific Provisions (-)	41.785	143.213	577.949
<b>Net Balance on Balance Sheet</b>	<b>219.632</b>	<b>167.807</b>	<b>90.174</b>

(\*) Write-offs include TL 484.215 individual, TL 85.161 corporate and commercial loans under follow up which is sold by the Bank.

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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
<b>Current Period: 31 December 2014</b>			
Balance at the End of the Period	-	-	423
Specific Provisions (-)	-	-	130
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>293</b>
<b>Prior Period: 31 December 2013</b>			
Balance at the End of the Period	-	-	14.088
Specific Provisions (-)	-	-	14.088
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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
<b>Current Period (Net): 31 December 2014</b>			
Loans granted to corporate entities and real persons (Gross)	219.632	167.807	90.174
Specific Provisions Amount (-)	261.417	311.020	668.123
Loans granted to corporate entities and real persons (Net)	41.785	143.213	577.949
Banks (Gross)	219.632	167.807	90.174
Specific Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
<b>Prior Period (Net): 31 December 2013</b>			
Loans granted to corporate entities and real persons (Gross)	124.321	144.221	83.327
Specific Provisions Amount (-)	151.285	254.591	788.718
Loans granted to corporate entities and real persons (Net)	26.964	110.370	705.391
Banks (Gross)	124.321	144.221	83.327
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 31 December 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 31 December 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 31 December 2014 and 31 December 2013, the Bank has no investments held to maturity.

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

As of 31 December 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 31 December 2014 and 31 December 2013.

h. Information on subsidiaries (Net):

1. Information on capital adequacy of major subsidiaries:

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

	HSBC Yatırım ve Menkul Değerler A.Ş.
Core Capital	86.147
Paid-in Capital	7.000
Share Premium	-
Reserves	40.786
Current Period's Profit and Prior Periods' Profit	38.361
Current Period's Losses and Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	-
Intangible Assets (-)	-
Supplementary Capital	-
Deductions from Capital	-
Net Available Equity	86.147

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

2. 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	-
2 HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	96,00	4,00

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
1	3.465	3.260	48	-	-	1.351	1.320	-
2	46	46	-	-	-	(11)	(19)	-

(\*) Prepared with the audited financial statements as of 31 December 2014.

(\*\*) The prior period balances represent the amounts as of 31 December 2013.

3. Information on the consolidated subsidiaries:

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

a) Consolidated subsidiaries:

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

b) Main financial figures of 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	108.473	86.147	1.615	4.164	3.432	23.374	17.790	-

(\*) Prepared with the audited financial statements as of 31 December 2014.

(\*\*) The prior period balances represents the amounts as of 31 December 2013.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

4. Movement schedule of the consolidated subsidiaries:

	Current Period 31 December 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

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

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

6. Subsidiaries quoted on a stock exchange:

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

i. Information on jointly controlled entities:

- The Bank has no jointly controlled entities as of 31 December 2014 and 31 December 2013.
- As of 31 December 2013 and 31 December 2012, the accounting method is not determined since the Bank has no jointly controlled entities.

j. Information on finance lease(Net):

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

k. Information on hedging derivative financial assets:

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	36.299	-	-	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>36.299</b>	<b>-</b>	<b>-</b>	<b>-</b>

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

l. Explanations on property and equipment:

	Land and Buildings	Vehicles	Other Tangible Fixed Assets	Total
<b>Prior Period End:</b>				
Cost	22.801	681	737.389	760.871
Accumulated Depreciation and Impairment (-)	13.217	615	616.963	630.795
<b>Net book value</b>	<b>9.584</b>	<b>66</b>	<b>120.426</b>	<b>130.076</b>
<b>Current Period End:</b>				
Net Book Value at the Beginning	9.584	66	120.426	130.076
Additions	-	-	28.260	28.260
Disposals (-) (net)	-	-	7.483	7.483
Impairment (-)	329	28	35.345	35.702
Depreciation (-)	22.801	681	758.166	781.648
Cost at Period End	13.546	643	652.308	666.497
Accumulated Depreciation at Period End (-)	<b>9.255</b>	<b>38</b>	<b>105.858</b>	<b>115.151</b>

m. Information on intangible assets:

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

	Current Period 31 December 2014	Prior Period 31 December 2013
Gross book value	298.190	271.640
Accumulated depreciation(-)	180.533	166.618
<b>Net Book Value</b>	<b>117.657</b>	<b>105.022</b>

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

	2014	2013
Opening balance	105.022	92.561
Additions	26.551	19.086
Disposals (-) (net)	-	-
Depreciation (-)	13.916	6.625
<b>Closing Net Book Value</b>	<b>117.657</b>	<b>105.022</b>

n. Information on the investment properties:

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

o. Information on deferred tax asset:

As of 31 December 2014 deferred tax asset of the Bank is TL 46.063 (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 recognised in balance sheet.

There is no impairment provision for deferred tax.

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

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

As of 31 December 2014, assets held for sale of the Bank is TL 3.179 (31 December 2013: TL 4.394).

	Current Period 31 December 2014	Prior Period 31 December 2013
<b>Prior Period End:</b>		
Cost	4.629	5.294
Accumulated Depreciation (-)	235	165
<b>Net Book Value</b>	<b>4.394</b>	<b>5.129</b>
<b>Current Period End</b>		
Net Book Value at the Beginning	4.394	5.129
Additions	1.149	5.147
Disposals (-) (net)	2.457	5.812
Depreciation (-)	60	109
Cost at Period End	3.321	4.629
Accumulated Depreciation at Period End (-)	142	235
<b>Closing Net Book Value</b>	<b>3.179</b>	<b>4.394</b>

r. Information on other assets:

1. There is 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 106.066 (31 December 2013: TL 120.311), the prepaid expenses amounting to TL 61.563 (31 December 2013: TL 63.194), other rediscount income amounting to TL 18.420 (31 December 2013: TL 21.729), miscellaneous receivables amounting to TL 7.661 (31 December 2013: TL 223.108), and other assets amounting to TL 678 (31 December 2013: TL 782).

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

As of 31 December 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 - 31 December 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	567.123	-	3.245.981	3.873.593	521.182	170.293	76.880	-	8.455.052
Foreign Currency Deposits	1.778.485	-	2.071.547	3.489.354	184.056	96.633	121.576	-	7.741.651
Residents in Turkey	1.458.710	-	1.906.643	2.945.463	122.037	51.287	56.454	-	6.540.594
Residents Abroad	319.775	-	164.904	543.891	62.019	45.346	65.122	-	1.201.057
Public Sector Deposits	100.037	-	-	-	-	-	-	-	100.037
Commercial Deposits	504.838	-	1.060.143	50.111	357.059	14.054	3.518	-	1.989.723
Other Institutions Deposits	13.097	-	4.900	11.881	120	69	74	-	30.141
Precious Metal Deposit	241.454	-	-	40.698	2.614	2.634	-	-	287.400
Bank Deposits	47.713	-	388.599	-	-	-	-	-	436.312
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	2	-	373.690	-	-	-	-	-	373.692
Foreign Banks	47.711	-	14.909	-	-	-	-	-	62.620
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3.252.747</b>	<b>-</b>	<b>6.771.170</b>	<b>7.465.637</b>	<b>1.065.031</b>	<b>283.683</b>	<b>202.048</b>	<b>-</b>	<b>19.040.316</b>

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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3.240.485</b>	<b>-</b>	<b>5.283.722</b>	<b>7.791.975</b>	<b>708.368</b>	<b>266.171</b>	<b>317.711</b>	<b>-</b>	<b>17.608.432</b>



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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 31 December 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013
Saving Deposits	4.472.125	3.906.478	3.786.609	2.958.546
Foreign Currency Saving Deposits	1.606.622	1.308.845	3.571.243	2.613.550
Other Deposits in the Form of Saving Deposits	25.023	87.189	73.422	270.009
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	212.923	207.860	254.987	225.306
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
<b>Total</b>	<b>6.316.693</b>	<b>5.510.372</b>	<b>7.686.261</b>	<b>6.067.411</b>

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 31 December 2014	Prior Period 31 December 2013
Foreign Branches' Deposits and other accounts	254.987	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	8.193	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 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Forward Transactions	27.810	52.347	-	110.518
Swap Transactions	51.005	355.624	15.903	1.073.901
Future Transactions	-	-	-	20
Options	-	16.854	-	108.034
Other	-	-	-	-
<b>Total</b>	<b>78.815</b>	<b>424.825</b>	<b>15.903</b>	<b>1.292.473</b>

c. Information on repurchase agreements:

As of 31 December 2014, the Bank has repurchase agreements amounting to TL 395.596 (31 December 2013: TL 2.025.576).

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II. EXPLANATIONS AND NOTES TO THE LIABILITIES (Continued)

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	7.570	279	11.950	2.160
Foreign Banks, Institutions and Funds	2.505.264	5.695.853	2.867.727	6.773.077
<b>Total</b>	<b>2.512.834</b>	<b>5.696.132</b>	<b>2.879.677</b>	<b>6.775.237</b>

2. Information on maturity structure of funds borrowed:

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Short-term	1.159.873	2.806.927	1.051.729	4.033.348
Medium and Long-term	1.352.961	2.889.205	1.827.948	2.741.889
<b>Total</b>	<b>2.512.834</b>	<b>5.696.132</b>	<b>2.879.677</b>	<b>6.775.237</b>

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 31 December 2014	Prior Period 31 December 2013
Less Than 1 Year	65.442	68.694
Between 1-4 Years	79.837	131.350
More Than 4 Years	22.166	14.415
<b>Total</b>	<b>167.445</b>	<b>214.459</b>

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

g. Information on derivative financial liabilities for hedging purposes:

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	8.615	-	-	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>8.615</b>	<b>-</b>	<b>-</b>	<b>-</b>

h. Information on provisions:

1. Information on general provisions:

	Current Period 31 December 2014	Prior Period 31 December 2013
<b>General Provisions</b>	<b>362.405</b>	<b>347.299</b>
Provisions for First Group Loans and Receivables	266.320	243.780
- Additional Provision for Loans and Receivables with Extended Maturities	18.644	27.798
Provisions for Second Group Loans and Receivables	21.173	18.616
- Additional Provision for Loans and Receivables with Extended Maturities	3.084	2.581
Provisions for Non-Cash Loans	34.833	37.958
Other	18.351	16.566

2. Information on provisions related to employee benefits:

Provision for retirement pay is amounting to TL 28.384 (31 December 2013: TL 25.551) and provision for accumulated leave is amounting to TL 5.451 (31 December 2013: 5.334) as of 31 December 2014.

According to Turkish Labor Law, the Bank and its subsidiaries that operate in Turkey are obligated to pay severance for employees who completed one year of service, drafted or die and whose employment reasons dismissed or retired.

Compensation payable is one month's salary for each year and the amount of TL 3.438,22 (full TL amount) (31 December 2013: 3.254,44 TL (full TL amount)) is limited. Severance pay liability is not subject to any statutory funding and there is no funding requirements.

Provision of severance payment has been reserved by calculating the present value of Group's contingent liabilities in case of retirement of employees. TAS 19 is required to use actuarial valuation methods in order to calculate the liabilities.

The fundamental assumption, for each year of service, the retirement pay ceiling will increase in line with inflation each year. Thus, applied discount rate represents real rate which has been purged from expected inflation effects. Bank's retirement pay liability is calculated from TL 3.541,37 (full TL amount) (1 January 2014: 3.438,22 TL (full TL amount)) that have been effective as of 1 January 2015, because retirement pay ceiling is determined every six months.

	Current Period 31 December 2014	Prior Period 31 December 2013
<b>Balance at the end of the Prior Period</b>	<b>25.551</b>	<b>21.283</b>
Provisions during the year	12.145	13.076
Paid during the year (-)	9.312	8.808
<b>Balance at the End of the Current Period</b>	<b>28.384</b>	<b>25.551</b>

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

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

As of 31 December 2014, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 8.838 (31 December 2013: TL 42.839), is offset with the balance of foreign currency indexed loans.

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

As of 31 December 2014, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 406 (31 December 2013: TL 3.126).

5. Information on other provisions:

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

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

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

Provision for accumulated credit card bonus amounting to TL 10.325 (31 December 2013: TL 16.408), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 406 (31 December 2013: TL 3.126), provisions for checks under follow-up amounting to TL 25.186 (31 December 2013: TL 29.239), provisions for refunds related to application of Arbitration Committee for Consumer Problems amounting to TL 13.041 (31 December 2013:None), provisions for refunds related to charges of loan proceed TL 4.136 (31 December 2013:None) are classified under other provisions.

i. Explanations on tax liability:

1. 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 31 December 2014	Prior Period 31 December 2013
Corporate Taxes Payable	-	-
Taxation on Marketable Securities	14.879	12.354
Capital Gains Tax on Property	1.324	1.115
Banking Insurance Transaction Tax (BITT)	13.511	12.459
Foreign Exchange Transaction Tax	9	14
Value Added Tax Payable	1.310	951
Other (*)	9.625	9.473
<b>Total</b>	<b>40.658</b>	<b>36.366</b>

(\*) As of 31 December 2014, consists of payroll tax amounting to TL 8.846 (31 December 2013: TL 8.582), self-employed income tax amounting to TL 18 (31 December 2013: TL 8), stamp tax amounting to TL 275 (31 December 2013: TL 295) and other taxes amounting to TL 486 (31 December 2013: TL 588).

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

1(ii). Information on premium payables:

	Current Period 31 December 2014	Prior Period 31 December 2013
Social Security Premiums – Share	3.407	3.367
Social Security Premiums – Share	3.611	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	201	225
Unemployment Insurance – Share	468	454
Other	-	-
<b>Total</b>	<b>7.687</b>	<b>7.640</b>

2. Information on deferred tax liability:

As of 31 December 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 31 December 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:

As of 29 December 2011, the Bank has obtained a subordinated loan from HSBC Holdings Plc amounting to USD 275.000 (TL 641.575) with 10 years maturity and USD Libor + 5,25% interest rate in accordance with the permit from BRSA No.26895 dated 28 December 2011 and the decision taken in the Board of Directors No. 12969 dated 13 December 2011.

As of 28 December 2012, the Bank has obtained a subordinated loan from HSBC Finance amounting to USD 39.000 (TL 90.987) with 10 years maturity and USD Libor + 4,15% interest rate and EUR 120.000 (TL 340.081) with 10 years maturity and EURO Libor + 3,87% interest rate in accordance with the permit from BRSA No.2134 dated 24 January 2013 and the decision taken in the Board of Directors No. 13044 dated 24 December 2012.

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	1.073.095	-	1.027.349
Other Foreign Institutions	-	-	-	-
<b>Total</b>	-	<b>1.073.095</b>	-	<b>1.027.349</b>

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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 31 December 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 31 December 2014, the Bank has TL 272.693 capital reserve due to adjustment of the paid-in capital for inflation in accordance with the principle published by BRSA dated 28 April 2005.

**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.

	Current Period 31 December 2014	Prior Period 31 December 2013
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

**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 TO LIABILITIES (Continued)

8. Information on marketable securities value increase fund:

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Jointly Controlled Entities	-	-	-	-
Valuation Difference	7.336	-	(27.513)	-
Translation Difference	-	-	-	-
<b>Total</b>	<b>7.336</b>	<b>-</b>	<b>(27.513)</b>	<b>-</b>

9. Information on revaluation value increase fund:

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

10. Information on legal reserves:

	Current Period 31 December 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	-	-
<b>Total</b>	<b>179.957</b>	<b>178.013</b>

11. Information on extraordinary reserves:

	Current Period 31 December 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	-	-
<b>Total</b>	<b>1.939.200</b>	<b>1.911.360</b>

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 31 December 2014, the Bank has amounting to irrevocable commitments TL 20.060.480 (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 31 December 2014, the Bank has letter of credit amounting to TL 1.259.624 (31 December 2013: TL 1.140.238), acceptances amounting to TL 721.520 (31 December 2013: TL 1.212.692) and commitments and contingencies due to letter of credit amounting to TL 686.323 (31 December 2013: TL 775.010) as of 31 December 2014. Also the Bank has other commitments and contingencies amounting to TL 398.362 (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 31 December 2014	Prior Period 31 December 2013
<b>Non-Cash Loans Given for Cash Loan Risks</b>	-	3.383
With Original Maturity of One Year or Less	-	3.383
With Original Maturity of More than One Year	-	-
<b>Other Non-Cash Loans</b>	3.065.829	3.642.687
<b>Total</b>	<b>3.065.829</b>	<b>3.646.070</b>



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

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

	Current Period 31 December 2014				Prior Period 31 December 2013			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>86</b>	<b>0,01</b>	<b>38.016</b>	<b>1,62</b>	<b>271</b>	<b>0,06</b>	<b>31.703</b>	<b>0,98</b>
Farming and Raising livestock	36	0,01	38.016	1,62	165	0,04	31.562	0,98
Forestry	50	0,01	-	0,00	106	0,02	141	0,00
Fishing	-	0,00	-	0,00	-	0,00	-	0,00
<b>Manufacturing</b>	<b>421.087</b>	<b>59,04</b>	<b>929.141</b>	<b>39,49</b>	<b>195.586</b>	<b>46,00</b>	<b>1.626.645</b>	<b>50,51</b>
Mining	226	0,03	52	0,00	650	0,15	10.222	0,32
Production	409.619	57,43	916.351	38,95	193.860	45,60	1.598.167	49,62
Electric, Gas and Water	11.242	1,58	12.738	0,54	1.076	0,25	18.256	0,57
<b>Construction</b>	<b>6.930</b>	<b>0,97</b>	<b>236.674</b>	<b>10,06</b>	<b>12.433</b>	<b>2,92</b>	<b>270.484</b>	<b>8,40</b>
<b>Services</b>	<b>280.851</b>	<b>39,38</b>	<b>1.148.609</b>	<b>48,82</b>	<b>214.563</b>	<b>50,47</b>	<b>1.292.064</b>	<b>40,11</b>
Wholesale and Retail Trade	76.040	10,66	133.065	5,66	79.925	18,81	89.868	2,79
Hotel, Food and Beverage								
Services	512	0,07	299	0,01	1.117	0,26	625	0,02
Transportation and Telecommunication	5.672	0,80	50.019	2,13	12.872	3,03	70.867	2,20
Financial Institutions	173.272	24,29	739.912	31,45	100.225	23,57	933.261	28,97
Real Estate and Leasing Services	-	0,00	-	0,00	59	0,01	-	0,00
Self-employment Services	23.540	3,30	217.705	9,25	19.215	4,52	188.314	5,85
Education Services	195	0,03	26	0,00	155	0,04	78	0,00
Health and Social Services	1.620	0,23	7.583	0,32	995	0,23	9.051	0,28
<b>Other</b>	<b>4.259</b>	<b>0,60</b>	<b>176</b>	<b>0,01</b>	<b>2.321</b>	<b>0,55</b>	<b>-</b>	<b>0,00</b>
<b>Total</b>	<b>713.213</b>	<b>100,00</b>	<b>2.352.616</b>	<b>100,00</b>	<b>425.174</b>	<b>100,00</b>	<b>3.220.896</b>	<b>100,00</b>

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

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash loans</b>	<b>707.009</b>	<b>2.347.974</b>	<b>4.225</b>	<b>4.317</b>
Letters of Guarantee	707.009	542.454	4.225	3.958
Bank Acceptances	-	721.195	-	-
Letters of Credit	-	686.323	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	398.002	-	359

b. Explanations on derivative transactions:

	Current Period	Prior Period
	31 December 2014	31 December 2013
Currency Swap	74.400.992	71.991.730
Interest Rate Swap	10.951.176	7.463.656
Forward Transactions	6.651.120	7.950.019
Currency Option	3.333.416	8.324.340
Precious Metal Swap	289.856	246.910
Precious Metal Options	64.724	48.736
Interest Rate Future	-	6.853.314
Interest Rate Option	-	-
<b>Total</b>	<b>95.691.284</b>	<b>102.878.705</b>

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

**I. 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 recognised at income statement. As of 31 December 2014, swaps amounting to TL 2.474.505 (31 December 2013: None) were subjected to cash flow hedge accounting as hedging instrument. After such hedge accounting, fair value gain before tax amounting to TL 803 (31 December 2013: None) are recognised under shareholders' equity in the current period. As of 31 December 2014, the Bank has ineffective portion amounting to TL 17 as a result of effectiveness tests (31 December 2013: None).

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

None.

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

For contingent assets, if the probability of condition is almost ultimate, this asset is recognised, if the probability is high, this asset is explained in the notes. There is no contingent asset that should be explained as of 31 December 2014.

For contingent liabilities, if the probability of the condition is high and it can be measured reliably, provisions are set aside, if it cannot be measured reliably or there is no possibility for the condition to be realised or if it is low, this liability is explained in the notes.

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 31 December 2014, the total amount of these lawsuits filed against the Bank is TL 29.752 (31 December 2013: TL 14.861). TL 8.103 (31 December 2013: TL 2.536) has been set aside as provision for those with the probability of being concluded against the bank is higher than the probability of their concluding in its favour and the total amount of provisions including lawsuit provisions related with refunds of loan proceed is TL 8.103 (31 December: TL 2.630).

**e. Explanations on services in the name of others:**

The Bank gives buy and sell marketable securities and custodian services in the name of others.

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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 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Short-term Loans	890.912	45.735	834.163	45.772
Medium and Long-Term Loans	767.372	147.073	754.862	125.345
Interest on Loans Under Follow-Up Premiums Received from the Resource Utilization Support Fund	22.364	-	18.196	133
	-	-	-	-
<b>Total</b>	<b>1.680.648</b>	<b>192.808</b>	<b>1.607.221</b>	<b>171.250</b>

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

2. Information on interest income received from banks:

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	83.667	9.982	40.989	7.457
From Foreign Banks	896	633	1.584	479
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>84.563</b>	<b>10.615</b>	<b>42.573</b>	<b>7.936</b>

3. Information on interest income on marketable securities:

	Current Period 31 December 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Financial Assets Held For Trading	15.463	431	30.580	424
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	75.799	-	215.439	-
Investments Held to Maturity	-	-	-	-
<b>Total</b>	<b>91.262</b>	<b>431</b>	<b>246.019</b>	<b>424</b>

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

As of 31 December 2014 and 31 December 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 31 December 2014		Prior Period 31 December 2013	
	TP	YP	TP	YP
Banks	189.285	131.300	178.905	114.062
The CBRT	-	-	-	-
Domestic Banks	828	48	611	88
Foreign Banks	188.457	131.252	178.294	113.974
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>189.285</b>	<b>131.300</b>	<b>178.905</b>	<b>114.062</b>

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

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

	Current Period 31 December 2013	Prior Period 31 December 2012
Interest Expenses Given to Subsidiaries and Associates	2.763	1.337

3. Information on interest expense given on securities issued:

The Bank has no interest expense given on securities issued as of 31 December 2014 and 31 December 2013.

4. Maturity structure of the interest expense on deposits:

Current Period: 31 December 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		
<b>Turkish Lira</b>								
Interbank deposits	-	8.544	-	-	-	-	-	8.544
Saving deposits	-	158.141	471.413	52.805	20.396	6.111	-	708.866
Public sector deposits	-	2	-	-	-	-	-	2
Commercial deposits	-	130.689	34.585	10.239	1.503	702	-	177.718
Other deposits	-	1.210	3.610	504	8	4	-	5.336
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>298.586</b>	<b>509.608</b>	<b>63.548</b>	<b>21.907</b>	<b>6.817</b>	-	<b>900.466</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	18.327	63.337	5.450	1.900	3.243	-	92.257
Interbank deposits	-	472	-	-	-	-	-	472
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	450	15	20	-	-	485
<b>Total</b>	-	<b>18.799</b>	<b>63.787</b>	<b>5.465</b>	<b>1.920</b>	<b>3.243</b>	-	<b>93.214</b>
<b>Grand Total</b>	-	<b>317.385</b>	<b>573.395</b>	<b>69.013</b>	<b>23.827</b>	<b>10.060</b>	-	<b>993.680</b>

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

Current Period: 31 December 2013	Demand Deposit	Time Deposit					More Than 1 year	Total	Up to 1 Month
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year				
<b>Turkish Lira</b>									
Interbank deposits	-	4.871	24	-	73	-	-	-	4.968
Saving deposits	-	37.768	316.474	43.935	16.336	6.682	-	-	421.195
Public sector deposits	-	2	9	-	-	-	-	-	11
Commercial deposits	-	96.707	19.461	1.797	686	365	-	-	119.016
Other deposits	-	872	2.640	46	13	2	-	-	3.573
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>140.220</b>	<b>338.608</b>	<b>45.778</b>	<b>17.108</b>	<b>7.049</b>	-	-	<b>548.763</b>
<b>Foreign Currency</b>									
Foreign currency deposits	-	16.107	55.143	7.613	2.562	5.388	-	-	86.813
Interbank deposits	-	756	-	-	-	-	-	-	756
Deposits with 7 days notification	-	-	-	-	-	-	-	-	-
Precious metal deposits	-	58	2	1	1	-	-	-	62
<b>Total</b>	-	<b>16.921</b>	<b>55.145</b>	<b>7.614</b>	<b>2.563</b>	<b>5.388</b>	-	-	<b>87.631</b>
<b>Grand Total</b>	-	<b>157.141</b>	<b>393.753</b>	<b>53.392</b>	<b>19.671</b>	<b>12.437</b>	-	-	<b>636.394</b>

5. Information on interest given on repurchase agreement:

The Bank has interest given on repurchase agreement amounting to TL 40.142 (31 December 2013: TL 31.393) for the year ended at 31 December 2014.

6. Information on finance lease expense:

The Bank has no finance lease expense for the year ended at 31 December 2014 and 31 December 2013.

7. Information on interest given on factoring payables:

The Bank has no interest given on factoring payables for the year ended at 31 December 2014 and 31 December 2013.

c. Explanations on dividend income:

The share of the Bank in the dividend distribution of HSBC Yatırım is TL 24.385 (31 December 2013: HSBC Yatırım is TL 14.328, HSBC Ödeme Sistemleri is 4.511; bonus issue of Borsa İstanbul is 15) during the period ended on 31 December 2014.

	Current Period 31 December 2014	Prior Period 31 December 2013
Trading Financial Assets	-	-
Financial Assets at FV Through Profit or Loss	-	-
Available for-sale Financial Assets	-	-
Other	24.385	18.854
<b>Total</b>	<b>24.385</b>	<b>18.854</b>

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

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

	Current Period 31 December 2014	Prior Period 31 December 2013
Profit	60.600.661	42.796.400
Capital Market Transactions Income	28.589	49.740
Gain on Derivative Financial Transactions	9.557.621	836.133
Foreign Exchange Gains	51.014.451	41.910.527
Loss (-)	60.821.487	42.883.180
Capital Market Transactions Loss	18.381	46.520
Loss on Derivative Financial Transactions	9.374.811	903.405
Foreign Exchange Loss	51.428.295	41.933.255
<b>Total (Net)</b>	<b>(220.826)</b>	<b>(86.780)</b>

2. Information on derivative instruments gain/loss:

	Current Period 31 December 2014	Prior Period 31 December 2013
Effect of the change in exchange rates on profit/loss	287.990	18.430
Effect of the change in interest rates on profit/loss	(105.180)	(85.702)
<b>Total (Net)</b>	<b>182.810</b>	<b>(67.272)</b>

e. Information on other operating income:

As of 31 December 2014, other operating income consists of reverse of the previous year provision amounting to TL 110.367 (31 December 2013: TL 13.686), gain on sale of loans under follow-up amounting to 63.196 (31 December 2013: None), provision for telecommunication expense amounting to TL 2.162 (31 December 2013: TL : 3.224), gain on sale of assets amounting to TL 1.550 (31 December 2013: TL 4.317) and other income amounting to TL 30.634 (31 December 2013: TL 28.283).

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

	Current Period 31 December 2014	Prior Period 31 December 2013
Specific Provisions for Loans and Other Receivables	534.691	376.988
III. Group Loans and Receivables	41.632	6.492
IV. Group Loans and Receivables	143.298	46.935
V. Group Loans and Receivables	349.761	323.561
General Provision Expenses	15.106	98.978
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	870	3.280
Financial Assets at Fair Value Through Profit or Loss	61	92
Available-for-sale Financial Assets	809	3.188
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	16.254	22.965
<b>Total</b>	<b>566.921</b>	<b>502.211</b>

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IV. EXPLANATIONS AND NOTES TO INCOME STATEMENT (Continued)

g. Information related to other operating expenses:

	Current Period 31 December 2014	Prior Period 31 December 2013
Personnel Expenses	601.908	589.191
Reserve for Employee Termination Benefits	14.474	12.527
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	35.702	45.165
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	13.916	6.625
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	60	109
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	6
Other Operating Expenses	439.756	449.874
Operational Lease Expenses	137.632	131.433
Maintenance Expenses	41.724	29.830
Advertisement Expenses	53.301	56.777
Other Expenses	207.099	231.834
Loss on Sales of Assets	919	642
Other	236.649	184.726
<b>Total</b>	<b>1.343.384</b>	<b>1.288.865</b>

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

The Bank has operating income amounting to TL 1.859.515 (31 December 2013: TL 1.856.890) as of 31 December 2014. The amount of loans and other receivables is TL 566.921 (31 December 2013: TL 502.211), other operating expenses amount to TL 1.343.384 (31 December 2013: TL 1.288.865), loss before tax amounts to TL 50.790 (31 December 2013: TL 65.814 profit before tax).

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

As of 31 December 2014, the Bank has corporate tax provision expense amounting to TL 5.026 (31 December 2013: TL 50.710) and deferred tax income amounting to TL 109 (31 December 2013: TL 14.680).

The total amount of deferred tax income, amounting to TL 109 (31 December 2013: TL 14.680 deferred tax income), 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 1.229.861 (31 December 2013: TL 1.298.447), and net wage and commission income amounting to TL 618.186 (31 December 2013: TL 576.859) have an important role among the income items in the interim accounting period ending on 31 December 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 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.



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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:

As of 31 December 2014, there is "securities increase fund" amounting to TL 7.336 (31 December 2013: TL 27.513 increase). This amount consists of the interest income of the debt instruments, a type of marketable securities, which is calculated by using effective interest rate method and their fair value difference, the costs of share certificates and their fair value differences and the deferred tax effects of these transactions which cannot be related to profit or loss.

As of 31 December 2014, the increase of TL 34.849 (31 December 2013: TL 63.282 decrease) arising from re-measuring the investments available for sale at their fair value after netting the deferred tax effect, has been shown as a current period movement in the calculation of the securities value increase fund in the equities difference table.

2. Information on increases in cash flow hedges:

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

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

1. Information on available-for-sale investments:

In the accounting period ending 31 December 2014, losses amounting to TL 5.297 (31 December 2013: TL 17.134 loss) arising from the revaluation of investments available for sale at their fair values has been transferred from equities to net profit/loss account since the investment available for sale was sold.

2. Information on cash flow hedges:

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

c. Information on dividend distribution:

None.

d. Information on issuance of common stock:

None.

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

None.

f. Offsetting prior period's losses:

None.

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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:**

Operating profit amounting to TL 532.450 (31 December 2013: TL 434.030) consists of interest income amounting to TL 2.649.969 (31 December 2013: TL 2.159.864), interest expense amounting to TL 1.364.024 (31 December 2013: TL 987.749), personnel expenses amounting to TL 600.588 (31 December 2013: TL 588.068) and net expense other than interest amounting to TL 152.907 (31 December 2013: TL 150.017).

Net increase in other liabilities amounting to TL 1.427.375 (31 December 2013: TL 1.947.927 increase) consists mainly of changes in miscellaneous payables, subordinated debts, other liabilities and taxes and other duties payable.

Effect of change in exchange rate on cash and cash equivalents is calculated approximately TL 51.239 (31 December 2013: TL 90.051) as of 31 December 2014.

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

The Bank has no cash flow arising from acquisition of associates, subsidiaries and other investments as of 31 December 2014 and 31 December 2013.

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

The Bank has no disposal of associates, subsidiaries and other investments as of 31 December 2014 and 31 December 2013.

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

Cash flow statement does not include accumulated interest income of cash and cash equivalents. Marketable securities include securities will amortize in three months after their trade date. Banks balance includes cash equivalents in of banks and other financial institutions and CBRT unblocked accounts.

Cash and cash equivalents at the beginning of the period:

	Current Period 31 December 2013	Prior Period 31 December 2012
Cash	383.469	360.461
Interbank Money Market Placements	6.787.257	2.028.650
Marketable Securities (Net)	-	-
CBRT, Banks and Other Financial Institutions	1.704.805	802.705
<b>Total Cash and Cash Equivalents</b>	<b>8.875.531</b>	<b>3.191.816</b>

Cash and cash equivalents at the end of period:

	Current Period 31 December 2014	Prior Period 31 December 2013
Cash	360.861	383.469
Interbank Money Market Placements	6.833.606	6.787.257
Marketable Securities (Net)	-	-
CBRT, Banks and Other Financial Institutions	2.516.248	1.704.805
<b>Total Cash and Cash Equivalents</b>	<b>9.710.715</b>	<b>8.875.531</b>

e. **Additional information:**

None.

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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 – 31 December 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	-	123	3.964	587.484	-	7
Interest and Commissions Income	-	2	315	1.383	-	-

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	-	2	836	859	-	-

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 31 December 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013
Deposit						
Opening Balance	33.046	28.764	50.715	33.834	376	4.527
Closing Balance	30.974	33.046	37.517	50.715	6.227	376
Interest expense on deposits	2.763	1.337	-	-	308	311

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 31 December 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	88.076.697	30.887.791	-	-
Closing Balance	-	-	84.523.265	88.076.697	-	-
Total Profit/Loss	-	-	305.837	(16.838)	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	2.474.505	-	-	-
Total Profit/Loss	-	-	17	-	-	-

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

As of 31 December 2014, payment is made to top executives of the Bank amounting to TL 62.142 (31 December 2013: TL 53.449).

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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:

	Number	Number of Employees			
Domestic Branch	294	5598			
Foreign Representation Office	-	-	Country of Incorporation		
				Total Assets	Statutory Share Capital
Foreign branch	1	12	1-Girne	239.434	-
	1	9	2-Gazi Mağosa	76.014	-
	2	40	3-Lefkoşe	439.192	135.659
Off-shore Banking Region Branches					

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.

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**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**

The unconsolidated financial statements for the year ended 31 December 2014 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Mülşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 26 February 2014 is presented in the introduction of this report.

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

None.