

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
AND REVIEW REPORT
AT 31 MARCH 2015,
SEE NOTE I OF SECTION THREE**

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH REVIEW REPORT
AT 31 MARCH 2015**



INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

Introduction

We have reviewed the unconsolidated balance sheet of HSBC Bank A.Ş. ("the Bank") at 31 March 2015 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 "Interim Financial Reporting" other than subjects regulated by BRSA Accounting and Reporting Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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



Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of HSBC Bank A.Ş. at 31 March 2015 and of the results of its operations and its cash flows for the three-month-period then ended in all aspects in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 "Interim Financial Reporting" other than subjects regulated by BRSA Accounting and Reporting Legislation.

Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2014 were audited by another auditor whose report dated 26 February 2015 expressed an unqualified opinion.

Additional Paragraph for Convenience Translation:

As also explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying 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.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Zeynep Uras, SMMM
Partner
Istanbul, 13 May 2015



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

UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S.
AS OF 31 MARCH 2015

Address of Bank's Headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli
34394, İstanbul
Telephone/Fax : (0212) 376 40 00 / (0212) 336 29 39
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The unconsolidated interim financial report prepared in accordance with Communiqué on the Financial Statements and the Related Disclosures and Footnotes to be Publicly Announced as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION APPLIED IN THE RELATED PERIOD
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND DISCLOSURES
- LIMITED INDEPENDENT AUDITOR'S REPORT

The unconsolidated interim 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 limited independent review and are presented enclosed.

Brian Robertson
Chairman

James Alasdair Emmett
General
Manager

Neslihan Erkazancı
Financial Reporting
Assistant General
Manager

Yerihozan Kılı
Group Head

Gilles Paul Marie Denoyel
Head of
Audit Comitee

Leyla Etker
Member of
Audit Comitee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Burcu Özkan/Manager
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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.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2015

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (“The Bank”) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224. 100% of the shares of the Bank is owned by HSBC Bank Plc which is a bank established in England. On 20 September 2001 the ‘Share Sales Agreement’ regarding the sale of all shares of Demirbank T.A.Ş. which was under in Saving Deposit Insurance Fund was signed by the Bank’s main 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 March 2015, 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. 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 March 2015 there has been no changes regarding the Bank’s capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
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HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2015

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

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

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2015

(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 Hayat ve Emeklilik, Allianz Sigorta, AIG Sigorta, Ergo Sigorta, Euler Hermes and Anadolu Hayat Emeklilik through its branches and investment intermediary services as an agency of HSBC Yatırım.

As of 31 March 2015, the Bank has 287 branches dispersed throughout the country and 4 branches operating abroad (31 December 2014: 294 branches and 4 branches operating abroad).

As of 31 March 2015, the number of employees of the Bank is 5.536 (31 December 2014: 5.659).

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 Telekomunikasyon Hizmetleri A.Ş. are not consolidated in the consolidated financial statements prepared in accordance with TAS based on line-by-line method. The Bank’s subsidiary HSBC Yatırım ve Menkul Değerler A.Ş. is included in the scope of consolidation by line-by-line method.

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

None.

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

HSBC BANK A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2015 AND 31 DECEMBER 2014
(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 (31/03/2015)			Prior Period (31/12/2014)		
		ASSETS					
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH CENTRAL BANK	(I-a)	276.312	2.705.900	2.982.212	897.581	2.608.077	3.505.658
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	1.767.889	276.184	2.044.073	803.842	171.098	974.940
2.1 Trading Financial Assets		1.767.889	276.184	2.044.073	803.842	171.098	974.940
2.1.1 Government Debt Securities		1.073.742	19.637	1.093.379	337.370	16.413	353.783
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		688.149	256.547	944.696	463.597	154.685	618.282
2.1.4 Other Marketable Securities		5.998	-	5.998	2.875	-	2.875
2.2 Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(I-c)	1.271.009	171.175	1.442.184	984.272	858.492	1.842.764
IV. MONEY MARKETS		5.641.459	56.073	5.697.532	6.833.606	-	6.833.606
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	56.073	56.073	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		5.641.459	-	5.641.459	6.833.606	-	6.833.606
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	468.615	-	468.615	530.249	-	530.249
5.1 Share Certificates		4.225	-	4.225	4.225	-	4.225
5.2 Government Debt Securities		464.390	-	464.390	526.024	-	526.024
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(I-e)	14.460.569	5.538.607	19.999.176	14.560.675	4.773.361	19.334.036
6.1 Loans		14.005.468	5.538.307	19.543.775	14.083.355	4.773.068	18.856.423
6.1.1 Bank's Risk Group	(VII)	-	30.219	30.219	-	3.964	3.964
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		14.005.468	5.508.088	19.513.556	14.083.355	4.769.104	18.852.459
6.2 Loans Under Follow-Up		1.314.655	429	1.315.084	1.240.137	423	1.240.560
6.3 Specific Provisions (-)		859.554	129	859.683	762.817	130	762.947
VII. FACTORING RECEIVABLES		162.366	16.532	178.898	162.512	15.793	178.305
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(I-f)	-	-	-	-	-	-
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
9.1 Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
X. SUBSIDIARIES (Net)	(I-h)	35.023	-	35.023	35.023	-	35.023
10.1 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)	(I-i)	-	-	-	-	-	-
11.1 Accounted Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCIAL LEASE RECEIVABLES (Net)	(I-j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(I-k)	144.919	-	144.919	36.299	-	36.299
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		144.919	-	144.919	36.299	-	36.299
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	107.410	-	107.410	115.151	-	115.151
XV. INTANGIBLE ASSETS (Net)	(I-m)	118.689	-	118.689	117.657	-	117.657
15.1 Goodwill		83.450	-	83.450	83.450	-	83.450
15.2 Other		35.239	-	35.239	34.207	-	34.207
XVI. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-
XVII. TAX ASSET		147.328	-	147.328	120.233	-	120.233
17.1 Current Tax Asset		94.337	-	94.337	74.170	-	74.170
17.2 Deferred Tax Asset	(I-o)	52.991	-	52.991	46.063	-	46.063
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	2.744	-	2.744	3.179	-	3.179
18.1 Held for sale Purposes		2.744	-	2.744	3.179	-	3.179
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	198.714	13.561	212.275	179.518	14.870	194.388
TOTAL ASSETS		24.803.046	8.778.032	33.581.078	25.379.797	8.441.691	33.821.488

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2015 AND 31 DECEMBER 2014
(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 (31/03/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES					
I. DEPOSITS	(II-a)	10.274.589	8.846.494	19.121.083	10.976.198	8.064.118	19.040.316
I.1 Deposits of Bank's risk group	(VII)	70.033	5.334	75.367	71.065	3.653	74.718
I.2 Other		10.204.556	8.841.160	19.045.716	10.905.133	8.060.465	18.965.598
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	79.626	751.647	831.273	78.815	424.825	503.640
III. BORROWINGS	(II-d)	1.401.047	5.421.386	6.822.433	2.512.834	5.696.132	8.208.966
IV. MONEY MARKETS		926.119	-	926.119	395.596	-	395.596
4.1 Funds from Interbank Money Market		-	-	-	-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements	(II-c)	926.119	-	926.119	395.596	-	395.596
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		404.182	301.329	705.511	443.161	150.701	593.862
VIII. OTHER LIABILITIES	(II-e)	378.082	108.385	486.467	429.274	70.133	499.407
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCIAL LEASE PAYABLES (Net)	(II-f)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-g)	16.991	-	16.991	8.615	-	8.615
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		16.991	-	16.991	8.615	-	8.615
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	(II-h)	484.226	1.489	485.715	454.128	1.749	455.877
12.1 General Loan Loss Provision		399.707	-	399.707	362.405	-	362.405
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		37.687	-	37.687	33.835	-	33.835
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		46.832	1.489	48.321	57.888	1.749	59.637
XIII. TAX LIABILITY	(II-i)	57.619	-	57.619	48.345	-	48.345
13.1 Current Tax Liability		57.619	-	57.619	48.345	-	48.345
13.2 Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS	(II-j)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Related to discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(II-k)	-	1.166.080	1.166.080	-	1.073.095	1.073.095
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.961.787	-	2.961.787	2.993.769	-	2.993.769
16.1 Paid-in Capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		281.033	-	281.033	279.387	-	279.387
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		4.550	-	4.550	7.336	-	7.336
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)		3.790	-	3.790	(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		2.060.510	-	2.060.510	2.118.017	-	2.118.017
16.3.1 Legal Reserves		181.738	-	181.738	179.957	-	179.957
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		1.881.494	-	1.881.494	1.939.200	-	1.939.200
16.3.4 Other Profit Reserves		(2.722)	-	(2.722)	(1.140)	-	(1.140)
16.4 Income or (Loss)		(32.046)	-	(32.046)	(55.925)	-	(55.925)
16.4.1 Prior Years' Income or (Loss)		-	-	-	-	-	-
16.4.2 Current Year Income or (Loss)		(32.046)	-	(32.046)	(55.925)	-	(55.925)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16.984.268	16.596.810	33.581.078	18.340.735	15.480.753	33.821.488

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS AT 31 MARCH 2015 AND 31 DECEMBER 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

II.	OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (31/03/2015)			Prior Period (31/12/2014)		
			TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		47.269.087	73.248.252	120.517.339	51.852.984	66.964.609	118.817.593
I.	GUARANTEES AND WARRANTIES	(III-a-2,3)	751.955	2.346.495	3.098.450	713.213	2.352.616	3.065.829
1.1	Letters of Guarantee		751.955	582.302	1.334.257	713.213	546.411	1.259.624
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		751.955	582.302	1.334.257	713.213	546.411	1.259.624
1.2	Bank Acceptances		-	673.476	673.476	-	721.520	721.520
1.2.1	Import Letter of Acceptance		-	660.423	660.423	-	709.855	709.855
1.2.2	Other Bank Acceptances		-	13.053	13.053	-	11.665	11.665
1.3	Letters of Credit		-	687.242	687.242	-	686.323	686.323
1.3.1	Documentary Letters of Credit		-	306.291	306.291	-	355.433	355.433
1.3.2	Other Letters of Credit		-	380.951	380.951	-	330.890	330.890
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	403.475	403.475	-	398.362	398.362
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(III-a-1)	13.434.602	16.461.226	29.895.828	11.461.206	8.599.274	20.060.480
2.1	Irrevocable Commitments		13.434.602	16.461.226	29.895.828	11.461.206	8.599.274	20.060.480
2.1.1	Asset Purchase and Sale Commitments		4.844.789	15.729.680	20.574.469	2.597.293	7.420.577	10.017.870
2.1.2	Deposit Purchase and Sales Commitments		-	700.913	700.913	-	1.175.103	1.175.103
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		606.506	1.175	607.681	839.213	1.050	840.263
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		580.031	-	580.031	557.693	-	557.693
2.1.8	Tax and Fund Liabilities from Export Commitments		5.614	-	5.614	5.614	-	5.614
2.1.9	Commitments for Credit Card Limits		6.302.451	-	6.302.451	6.364.770	-	6.364.770
2.1.10	Commitments for Credit Cards and Banking Services Promotions		19.452	-	19.452	19.022	-	19.022
2.1.11	Receivables From Short Sale Commitments of Marketable Securities		7.374	14.615	21.989	-	1.170	1.170
2.1.12	Payables for Short Sale Commitments of Marketable Securities		7.374	14.615	21.989	-	1.170	1.170
2.1.13	Other Irrevocable Commitments		1.061.011	228	1.061.239	1.077.601	204	1.077.805
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	33.082.530	54.440.531	87.523.061	39.678.565	56.012.719	95.691.284
3.1	Hedging Derivative Financial Instruments		1.297.174	1.483.424	2.780.598	1.205.019	1.269.486	2.474.505
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		1.297.174	1.483.424	2.780.598	1.205.019	1.269.486	2.474.505
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		31.785.356	52.957.107	84.742.463	38.473.546	54.743.233	93.216.779
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3.588.290	5.369.676	8.957.966	2.642.266	4.008.854	6.651.120
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.746.409	2.675.884	4.422.293	1.788.700	1.528.250	3.316.950
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.841.881	2.693.792	4.535.673	853.566	2.480.604	3.334.170
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		24.861.214	41.475.631	66.336.845	34.514.898	48.362.765	82.877.663
3.2.2.1	Foreign Currency Swap-Buy		11.087.973	16.528.362	27.616.335	15.057.899	21.133.810	36.191.709
3.2.2.2	Foreign Currency Swap-Sell		13.773.241	13.246.215	27.019.456	19.456.999	16.277.779	35.734.778
3.2.2.3	Interest Rate Swap-Buy		-	5.850.527	5.850.527	-	5.475.588	5.475.588
3.2.2.4	Interest Rate Swap-Sell		-	5.850.527	5.850.527	-	5.475.588	5.475.588
3.2.3	Foreign Currency, Interest rate and Securities Options		3.335.852	5.152.322	8.488.174	1.316.382	2.017.034	3.333.416
3.2.3.1	Foreign Currency Options-Buy		1.667.926	2.576.161	4.244.087	658.191	1.008.517	1.666.708
3.2.3.2	Foreign Currency Options-Sell		1.667.926	2.576.161	4.244.087	658.191	1.008.517	1.666.708
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	548.226	548.226	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	274.113	274.113	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	274.113	274.113	-	-	-
3.2.6	Other		-	411.252	411.252	-	354.580	354.580
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		44.883.950	77.725.325	122.609.275	45.429.138	80.657.748	126.086.886
IV.	ITEMS HELD IN CUSTODY		14.958.847	1.597.668	16.556.515	15.234.409	1.474.334	16.708.743
4.1	Customer Fund and Portfolio Balances		1.544.561	-	1.544.561	1.454.823	-	1.454.823
4.2	Investment Securities Held in Custody		9.904.627	1.303.007	11.207.634	10.301.954	1.215.352	11.517.306
4.3	Checks Received for Collection		2.094.138	239.805	2.333.943	2.050.960	202.002	2.252.962
4.4	Commercial Notes Received for Collection		71.927	-	71.927	80.463	-	80.463
4.5	Other Assets Received for Collection		-	6.048	6.048	-	8.598	8.598
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		1.343.594	48.808	1.392.402	1.346.209	48.382	1.394.591
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		12.557.730	13.516.116	26.073.846	12.516.539	14.638.204	27.154.743
5.1	Marketable Securities		1.054.414	8.990	1.063.404	509.646	10.108	519.754
5.2	Guarantee Notes		610.624	1.891.403	2.502.027	666.617	1.798.051	2.464.668
5.3	Commodity		240	5.733	5.973	240	5.123	5.363
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		8.668.533	2.779.149	11.447.682	8.676.245	2.771.856	11.448.101
5.6	Other Pledged Items		2.223.919	8.830.841	11.054.760	2.663.791	10.053.066	12.716.857
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		17.367.373	62.611.541	79.978.914	17.678.190	64.545.210	82.223.400
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)			92.153.037	150.973.577	243.126.614	97.282.122	147.622.357	244.904.479

The accompanying explanations and notes set out on pages 13 to 72 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 MARCH 2015 AND 31 MARCH 2014**

(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 (01/01/2015 - 31/03/2015)	Prior Period (01/01/2014 - 31/03/2014)
I. INTEREST INCOME	(IV-a)	685.942	652.352
1.1 Interest on Loans	(IV-a-1)	477.933	461.470
1.2 Interest Received from Reserve Requirements		1.295	-
1.3 Interest Received from Banks	(IV-a-2)	35.579	24.182
1.4 Interest Received from Money Market Transactions		140.111	109.448
1.5 Interest Received from Marketable Securities Portfolio	(IV-a-3)	28.202	45.809
1.5.1 Trading Financial Assets		16.469	5.834
1.5.2 Financial Assets at Fair Value through Profit or (Loss)		-	-
1.5.3 Available-for-sale Financial Assets		11.733	39.975
1.5.4 Held to Maturity Investments		-	-
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		2.822	11.443
II. INTEREST EXPENSE (-)	(IV-b)	333.684	369.716
2.1 Interest on Deposits (-)	(IV-b-4)	235.550	261.758
2.2 Interest on Funds Borrowed (-)	(IV-b-1)	80.428	84.536
2.3 Interest Expense on Money Market Transaction (-)	(IV-b-5)	12.096	19.588
2.4 Interest on Securities Issued (-)	(IV-b-3)	-	-
2.5 Other Interest Expense (-)		5.610	3.834
III. NET INTEREST INCOME (I + II)		352.258	282.636
IV. NET FEES AND COMMISSIONS INCOME		127.269	154.663
4.1 Fees and Commissions Received		138.015	167.452
4.1.1 Non-cash Loans		3.552	6.180
4.1.2 Other		134.463	161.272
4.2 Fees and Commissions Paid (-)		10.746	12.789
4.2.1 Non-cash Loans (-)		111	153
4.2.2 Other (-)		10.635	12.636
V. DIVIDEND INCOME	(IV-c)	16.724	24.385
VI. TRADING INCOME/(LOSS) (Net)	(IV-d)	(63.597)	(38.754)
6.1 Trading Gains/(Losses) on Securities		(2.278)	(8.264)
6.2 Derivative Financial Transactions Gains/(Losses)		368.470	(26.567)
6.3 Foreign Exchange Gains/(Losses)		(429.789)	(3.923)
VII. OTHER OPERATING INCOME	(IV-e)	48.405	77.499
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		481.059	500.429
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	194.217	173.503
X. OTHER OPERATING EXPENSES (-)	(IV-g)	324.916	341.726
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		(38.074)	(14.800)
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)		(38.074)	(14.800)
XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-h)	6.028	4.025
16.1 Current Tax Provision	(IV-i)	(1.613)	(5.459)
16.2 Deferred Tax Provision		7.641	9.484
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(IV-j)	(32.046)	(10.775)
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from Non-current Assets Held for Resale		-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.3 Other Income From Discontinued Operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expenses for Non-current Assets Held for Resale		-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.3 Other Expenses From Discontinued Operations		-	-
XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSSES (XVII+XXII)	(IV-k)	(32.046)	(10.775)
Earnings/ Loss per Share (The amounts are expressed in full TL)		(0,000491)	(0,000165)

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS'
EQUITY AS AT 31 MARCH 2015 AND 31 MARCH 2014**

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY	Current Period (31/03/2015)	Prior Period (31/03/2014)
I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(3.483)	17.000
II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)	5.540	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(1.978)	-
IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES	(15)	(3.400)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	64	13.600
XI. CURRENT YEAR PROFIT/LOSS	(32.046)	(10.775)
11.1 Net change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	-	(8.093)
11.2 Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	450	-
11.3 Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4 Other	(32.496)	(2.682)
XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	(31.982)	2.825

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
31 March 2014	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel- Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/ (Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity	
I. Balances at the Beginning of the Period		652.290	-	-	-	178.013	-	1.911.360	270.925	29.784	-	(27.513)	-	-	-	-	-	3.014.859
II. Corrections According to Turkiye Accounting Standard No 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balance (I+II)		652.290	-	-	-	178.013	-	1.911.360	270.925	29.784	-	(27.513)	-	-	-	-	-	3.014.859
Changes in the Period																		
IV. Increase/Decrease due to the Merger																		
V. Marketable Securities Valuation Differences												13.600						13.600
VI. Hedging Transactions Funds (Effective Parts)																		
6.1 Cash Flow Hedge																		
6.2 Foreign Investment Hedge																		
VII. Property and Equipment Revaluation Differences																		
VIII. Intangible Fixed Assets Revaluation Differences																		
IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures																		
X. Foreign Exchange Differences																		
XI. Changes due to the Disposal of Assets																		
XII. Changes due to the Reclassification of Assets																		
XIII. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity																		
XIV. Capital Increase																		
14.1 Cash Increase																		
14.2 Internal Resources																		
XV. Share Premium																		
XVI. Share Cancellation Profits																		
XVII. Paid in-Capital Adjustment Difference																		
XVIII. Other									463									463
XIX. Current Year Income or Loss										(10.775)								(10.775)
XX. Profit Distribution						1.944		27.840		(29.784)								
20.1 Dividend Paid																		
20.2 Transfers to Reserves						1.944		27.840		(29.784)								
20.3 Other																		
Balance at the end of the period (III+IV+V+.....+XVIII+XIX+XX)		652.290	-	-	-	179.957	-	1.939.200	271.388	(10.775)	-	(13.913)	-	-	-	-	-	3.018.147

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED AT 31 MARCH 2015

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																	
31 March 2015	Note (Section Five)	Paid-in Capital	Adjustment To Paid-in Capital	Share Premium	Share Cancl. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
I. Balances at the Beginning of the Period		652.290	-	-	-	179.957	-	1.939.200	271.553	(55.925)	-	7.336	-	-	(642)	-	2.993.769
Changes in the Period																	
II. Increase/Decrease due to the Merger																	
III. Marketable Securities Valuation Differences												(2.786)					(2.786)
IV. Hedging Transactions Funds (Effective Parts)															4.432		4.432
4.1 Cash Flow Hedge															4.432		4.432
4.2 Foreign Investment Hedge																	
V. Valuation Differences due to Revaluation of Property and Equipment																	
VI. Valuation Differences due to Revaluation of Intangible Assets																	
Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures																	
VII. 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																	
12.1 Cash Increase																	
12.2 Internal Resources																	
XIII. Share Premium																	
XIV. Share Cancellation Profits																	
XV. Paid in-Capital Adjustment Difference																	
XVI. Other									(1.582)								(1.582)
XVII. Current Year Income or Loss										(32.046)							(32.046)
XVIII. Profit Distribution						1.781		(57.706)		55.925							
18.1 Dividend Paid																	
18.2 Transfers to Reserves						1.781		(57.706)		55.925							
18.3 Other																	
Balances at the end of the period (I+II+III+IV+V....+XVIII)		652.290	-	-	-	181.738	-	1.881.494	269.971	(32.046)	-	4.550	-	-	3.790	-	2.961.787

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**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
31 MARCH 2015 AND 31 MARCH 2014**

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

VI. STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period (31/03/2015)	Prior Period (31/03/2014)
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities		54.959	357.004
1.1.1	Interest received		584.384	673.731
1.1.2	Interest paid		(299.168)	(292.208)
1.1.3	Dividend received		16.724	24.385
1.1.4	Fees and commissions received		138.015	167.452
1.1.5	Other income		48.405	77.499
1.1.6	Collections from previously written-off loans and other receivables		60.656	40.681
1.1.7	Payments to personnel and service suppliers		(117.321)	(152.469)
1.1.8	Taxes paid		(22.834)	(20.907)
1.1.9	Other		(353.902)	(161.160)
1.2	Changes in operating assets and liabilities		(2.269.569)	(743.078)
1.2.1	Net (increase)/decrease in trading securities		(737.204)	466.442
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net (increase)/decrease in banks		(9)	(2.000)
1.2.4	Net (increase)/decrease in loans		(750.669)	(274.112)
1.2.5	Net (increase)/decrease in other assets		(147.814)	(21.957)
1.2.6	Net increase/(decrease) in bank deposits		(328.284)	(506.381)
1.2.7	Net increase/(decrease) in other deposits		417.387	1.128.942
1.2.8	Net increase/(decrease) in funds borrowed		(1.336.208)	(900.470)
1.2.9	Net increase/(decrease) in payables		-	-
1.2.10	Net increase/(decrease) in other liabilities		613.232	(633.542)
I.	Net cash provided from banking operations		(2.214.610)	(386.074)
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities		52.489	798.459
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		(11.791)	(1.485)
2.4	Disposals of property and equipment		14.304	617
2.5	Cash paid for purchase of investments available-for-sale		(76.182)	(2.207.243)
2.6	Cash obtained from sale of investments available-for-sale		132.877	3.016.100
2.7	Cash paid for purchase of investment securities		-	-
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		(6.719)	(9.530)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities		-	-
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Issued capital instruments		-	-
3.4	Dividends paid		-	-
3.5	Payments for finance leases		-	-
3.6	Other		-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		4.846	(25.361)
V.	Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		(2.157.275)	387.024
VI.	Cash and cash equivalents at beginning of the period		9.710.715	8.875.532
VII.	Cash and cash equivalents at end of the period		7.553.440	9.262.556

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2015

(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 within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of interim reporting Turkish Accounting Standards 34 and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (all referred as “Reporting Standards”). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira 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 01 January 2018, which have been effective as of reporting date have no impact on the accounting policies, financial position and performance of the Bank.

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

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

c. Explanation for convenience translation into English:

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

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(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 March 2015. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard on Financial Instruments: Recognition and Measurement” (“TAS 39”) in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiaries of the Bank are “HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş.” and “HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş.”. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on 10 December 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide transfer, hospitality, pass port, catering, housing, parking, private waiting room and transportation services in railroad, land, sea, airport passenger lounges either to its clients or all real or legal persons. HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş. was established on 13 January 2005 in order to provide information and telecommunication services.

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IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

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

VI. EXPLANATIONS ON FEE AND COMMISSIONS INCOME AND EXPENSES

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

The Bank categorizes its financial assets as “Fair value through profit/loss”, “Available-for-sale”, and “Loans and receivables”. Financial assets mentioned above are recognised at the transaction date. The appropriate classification of financial assets of the Bank is determined at the trade dates.

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

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

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

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets available-for-sale:

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

c. Loans and receivables:

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

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

d. Investment securities held-to-maturity:

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognized in the income statement. As of 31 March 2015 and 31 December 2014, the Bank has no investment securities held-to-maturity.

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

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

Securities subject to repurchase agreements are classified as “Financial assets at fair value difference through profit or loss” and “Available-for-sale securities” in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. As of 31 March 2015 and 31 December 2014, funds given against securities purchased under agreements to resell (“Reverse repurchase agreements”) are accounted under “Receivables from reverse repurchase agreements” in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the effective interest rate method. The Bank has no securities lending transactions. The Bank has amounting to TL 41.000 nominal government bonds as of 31 March 2015 that the Bank has given as guarantees to BIST Bonds and Bills Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş. (As of 31 December 2014 the Bank has given government bonds as guarantees to BIST Bonds and Bills Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş TL 40.500 nominal).

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

As of 31 March 2015 and 31 December 2014, the Bank has no discontinued operations Property and equipment held-for-sale consist of tangible assets that were acquired due to nonperforming receivables, and are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovable and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated 1 November 2006, No. 26333 and classified as assets held for sale.

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

The Bank purchased Benkar Tüketici Finansmanı A.Ş. in the year 2002. The useful life of the goodwill arising out of the merger of Benkar with the Bank on 26 December 2002 is determined as 10 years. Therefore, it is amortised until the end of October 2006 and, amortised with 10% of amortization rate using the straight-line method. With Article 4 of the “Communiqué on Principles and Procedure of Accounting Principles of Banks and Preservation of Documents” which was published by BRSA in the Official Gazette No. 26333 dated 1 November 2006, the financial statements are prepared based on the Turkish Accounting Standards. Goodwill is tested annually or more frequently when there are indicators for impairment and carried at cost less accumulated impairment losses, if any, in line with “Turkish Accounting Standard for Impairment on Assets” (“TAS 36”).

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

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

All property and equipment are measured in accordance with “Property, Plant and Equipment Standard” (“TAS 16”) at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value impairment. The costs of the property and equipment purchased before 31 December 2004 or subject to inflation indexation until 31 December 2004. Property and equipment purchased after 31 December 2004 are recognised with their purchase cost in the financial statements. Property and equipment are amortised by using the straight line method based on their useful lives, such as buildings depreciated at rate 2%, transportation vehicles at rates 15% - 20%, furniture at rate 20%, and other tangible assets at rates ranging from 2% to 33%. The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item will remain in property and equipment. Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its net sales revenue. Repair and maintenance expenses in order to increase the useful life of the property and equipment are capitalized, other repair and maintenance costs are recognised as expenses. There are no mortgages, pledges or similar precautionary measures on tangible fixed assets.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under finance lease agreements are capitalized in accordance with “Leases Standard” (“TAS 17”) at the inception of the lease at the “Lower of the fair value of the leased asset or the present value of the lease instalments to be paid for the leased asset”. Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a “Provision for value decrease” is recognised. Liabilities arising from the leasing transactions are included in “Financial lease payables” in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are presented the income statement. The Bank does not provide finance lease services as a “Lessor”. 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 3,30% (31 December 2014: 3,77%).

As of 31 March 2015, actuarial loss amounted to TL 2.722 (31 December 2014: TL 1.140 loss) is recognized under other income reserves in the financial statements.

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

XVIII. EXPLANATIONS ON TAXATION

a. Current Tax:

According to the article no. 32 of “Corporate Tax Law” No. 5520 was published in the Official Gazette, No. 26205 dated 21 June 2006, the corporate tax rate is 20%. Corporate tax is calculated on the total income of the 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 seventeen days following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal instalments in May and October.

b. Deferred Tax Asset/Liability:

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

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

Bank may generate deferred tax asset based on best projection and budget from accumulated financial loss, in accordance with tax legislation, as long as it appears possible to generate financial profit that can be reduced in following periods.

In cases where Bank’s final operating results differ from projections of current period, differences may effect available financial loss amount and deferred tax asset.

c. Transfer Pricing:

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

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XIX. EXPLANATIONS ON BORROWING

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the financial statements enclosed, foreign currency borrowings are translated according to the Bank’s period end 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 March 2015 and 31 December 2014.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 31 March 2015 and 31 December 2014, the Bank has no issued share certificates.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 31 March 2015 and 31 December 2014, the Bank has no government incentives.

XXIII. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note X of Section Four.

XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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

XXV. EARNINGS/LOSS PER SHARE

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

	Current Period 31 March 2015	Prior Period 31 March 2014
Net Profit/(Loss) for the Period	(32.046)	(10.775)
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	(0,000491)	(0,000165)

(*) Amounts are expressed in full TL.

XXVI. CASH AND CASH EQUIVALENTS

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

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XXVII. RELATED PARTIES

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

XXVIII. RECLASSIFICATIONS

There are no adjustments to the prior year financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 31 March 2015 and 31 December 2014 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 March 2015, the Bank's capital adequacy ratio is 14,67% (31 December 2014: 15,07%). 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 6 September 2014 numbered 29111 and the "Communiqué on Equities of Banks" published on 5 September 2013 in the Official Gazette numbered 28756. As of 31 March 2015, unconsolidated capital adequacy ratio of the Bank is 14,67% (31 December 2014: 15,07%)

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 Bank's capital adequacy ratio and equity calculations.

c. Information related to capital adequacy ratio:

	31 March 2015									
	Risk Weights									
	0%	10%	20%	50%	75%	100%	150%	200%	250%	
Credit Risk Based Amount	4.044.249	-	1.845.740	2.132.708	5.813.340	12.781.659	1.589.534	1.435.591	5.256	
Risk Classes										
Claims on sovereigns and Central Banks	3.312.353	-	-	95	-	-	153.623	-	-	
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	-	-	1.843.330	218.402	-	151.306	11.022	-	-	
Claims on corporate	214.416	-	-	-	-	11.399.270	-	-	-	
Claims included in the regulatory retail portfolios	76.854	-	-	-	5.813.340	688.205	-	-	-	
Claims secured by residential property	-	-	-	1.905.347	-	-	-	-	-	
Past due loan	562	-	-	8.864	-	338.517	126.073	-	-	
Higher risk categories decided by the Board	63.389	-	-	-	-	-	1.298.816	1.435.591	5.256	
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	376.675	-	2.410	-	-	204.361	-	-	-	

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	31 December 2014								
	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	4.547.568	-	1.647.073	2.417.241	5.901.799	12.341.753	1.526.447	1.559.001	525
Risk Classes									
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	-	-	-

d. Summary information related to unconsolidated capital adequacy ratio:

	Current Period 31 March 2015	Prior Period 31 December 2014
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	1.907.663	1.897.210
Capital obligation for market risk (II)	137.565	90.866
Capital obligation for operational risk (III)	259.888	245.937
Shareholders' Equity	4.227.246	4.207.903
Shareholders' Equity / ((I+II+III)*12,5*100)	14,67	15,07
Core Capital/((I+II+III) *12,5*100)	9,81	10,24
Tier I Capital/((I+II+III) *12,5*100)	9,81	10,24

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

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

	Current Period	Prior Period
	31 March 2015	31 December 2014
TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	652.290
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	2.301.157	2.335.925
Other Comprehensive Income according to TAS	5.615	5.554
Profit	-	-
Net Current Period Profit	-	-
Prior Period Profit	-	-
Provisions for Possible Losses	-	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	-
Tier I Capital Before Deductions	2.959.062	2.993.769
Deductions From Tier I Capital		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	-
Leasehold Improvements on Operational Leases (-)	16.424	18.345
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	116.668	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 (-)	-	-
Total regulatory adjustments to Tier I capital	133.092	133.951
Tier I capital	2.825.970	2.859.818
ADDITIONAL CORE CAPITAL		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-	-
Additional Core Capital before Deductions	-	-
Deductions from Additional Core Capital		
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-	-
Total Deductions from Additional Core Capital	-	-
Total Additional Core Capital	-	-

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Current Period 31 March 2015	Prior Period 31 December 2014
Deductions from Core Capital		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Total Core Capital	2.825.970	2.859.818
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued Or Obtained before 1.1.2014)	1.156.167	1.072.643
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-	-
General Provisions	298.072	296.439
Tier II Capital before Deductions	1.454.239	1.369.082
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be Defined by the BRSA (-)	45.404	11.950
Total Deductions from Tier II Capital	45.404	11.950
Total Tier II Capital	1.408.835	1.357.132
CAPITAL	4.234.805	4.216.950
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	274	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 (-)	139	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 (-)	7.146	8.615
Other items to be Defined by the BRSA (-)	-	-
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	4.227.246	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	-	-

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

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

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II. EXPLANATIONS ON CREDIT RISK

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

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

- b. When evaluated together with the financial operations of other financial institutions as an active participant in international banking market and when it is considered that a significant portion of the loan portfolio of the Bank consists of retail loans, it is thought that there is no significant level of loan risk concentration.
- c. The Bank provided a general provision amounting to TL 399.707 (31 December 2014: TL 362.405).

III. EXPLANATION ON MARKET RISK

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

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

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

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

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

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

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III. EXPLANATIONS ON MARKET RISK (Continued)

b. Information on Market Risk:

	31 March 2015	31 December 2014
	Amount	Amount
(I) Capital obligation for General Market Risk - Standard Method	37.978	19.920
(II) Capital obligation for Specific Risk - Standard Method	2.676	1.383
Capital obligation for specific risk in securitisation positions- Standard Method	-	-
(III) Capital obligation for Currency Risk - Standard Method	46.562	30.622
(IV) Capital obligation for Commodity Risk - Standard Method	-	-
(V) Capital obligation for Exchange Risk - Standard Method	-	-
(VI) Capital obligation for Market Risk Due to Options - Standard Method	199	54
(VII) Capital obligation for counterparty credit risk - Standard Method	50.150	30.621
(VIII) Total Capital obligation for Market Risk for Banks Applying Risk Measurement Model	-	-
(IX) Total Capital obligation for Market Risk (I+II+III+IV+V+VI+VII)	137.565	82.600
(X) Amount Subject to Market Risk (12,5xVIII) or (12,5xVII)	1.719.563	1.032.500

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

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

d. Informations on counterparty risks:

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

IV. EXPLANATIONS ON OPERATIONAL RISK

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

The amount subject to the operational risk is calculated through the use of the gross income of the Bank in 2014, 2013 and 2012 in accordance to the “Regulation Regarding Measurement and Evaluation of the Bank’s Capital Adequacy Ratio” published in the Official Gazette No.29111 dated 6 September 2014. In the scope of “Capital adequacy ratio” stated in Note I of this section, amount subjected to operational risk is TL 3.248.598 represented risk weighted assets for operational risk and 8% of that amount is TL 259.888 represented related capital requirement.

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V. EXPLANATIONS ON CURRENCY RISK

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

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

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

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

c. Management policy for foreign currency risk:

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

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

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

Current Period - 31 March 2015	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	2.6106	2.8037
30 March 2015	2.6045	2.8208
27 March 2015	2.6022	2.8303
26 March 2015	2.5929	2.8311
25 March 2015	2.5637	2.8117
24 March 2015	2.5607	2.7958

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 March 2015, the Bank’s simple arithmetic average foreign exchange rates for USD is TL 2,5949 (December 2014: TL 2,2974) and exchange rates for Euro TL 2,8066 (December 2014: TL 2,8290).

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

f. Information related to Bank's Currency Risk:

Current Period - 31 March 2015	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	424.820	1.622.296	658.784	2.705.900
Banks	22.456	116.672	32.047	171.175
Financial Assets at Fair Value through Profit or Loss (Net)	188.848	69.544	17.792	276.184
Interbank Money Market Placements	56.073	-	-	56.073
Financial Assets Available-for-Sale (Net)	-	-	-	-
Loans (*)	3.374.446	4.343.107	69.265	7.786.818
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Investments Held-to-Maturity (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	6.638	4.666	1.667	12.971
Total Assets	4.073.281	6.156.285	779.555	11.009.121
Liabilities				
Bank Deposits	22	52.590	28	52.640
Foreign Currency Deposits	2.096.346	5.612.975	1.084.533	8.793.854
Funds from Interbank Money Market	-	-	-	-
Borrowings	1.624.674	4.954.341	8.451	6.587.466
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	290.045	8.759	2.525	301.329
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	94.066	705.881	61.574	861.521
Total Liabilities	4.105.153	11.334.546	1.157.111	16.596.810
Net on Balance Sheet Position	(31.872)	(5.178.261)	(377.556)	(5.587.689)
Net Off-Balance Sheet Position				
	53.615	4.619.480	752.334	5.425.429
Financial Derivative Assets	4.933.422	22.702.580	1.368.409	29.004.411
Financial Derivative Liabilities	4.879.807	18.083.100	616.075	23.578.982
Non-cash Loans	317.131	1.988.500	40.864	2.346.495
Prior Period - 31 December 2014				
Total Assets	3.391.006	6.316.723	685.312	10.393.041
Total Liabilities	3.973.280	10.425.151	1.082.322	15.480.753
Net on-Balance Sheet Position	(582.274)	(4.108.428)	(397.010)	(5.087.712)
Net off-Balance Sheet Position	578.245	3.776.662	691.567	5.046.474
Financial Derivative Assets	2.730.775	23.424.387	1.016.397	27.171.559
Financial Derivative Liabilities	2.152.530	19.647.725	324.830	22.125.085
Non-cash Loans	315.039	2.002.816	34.761	2.352.616

(*) As of 31 March 2015, loans consists of foreign indexed loans amounting to TL 2.231.679 (31 December 2014: TL 1.951.429) and foreign factoring receivables amounting to TL 16.532 (31 December 2014: TL 15.793).

(**) As of 31 March 2015, other assets do not consist of prepaid expenses amounting to TL 590 (31 December 2014: TL 79).

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

As of 31 March 2015 and 31 December 2014, 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 March 2015		Prior Period – 31 December 2014	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	(55.878)	(55.878)	(33.177)	(33.177)
Euro	2.174	2.174	(403)	(403)
Other	37.478	37.478	29.456	29.456
Total	(16.226)	(16.226)	(4.124)	(4.124)

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

As of 31 March 2015 and 31 December 2014, as a result of 10% appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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VI. EXPLANATIONS ON INTEREST RATE RISK

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

Current Period - 31 March 2015	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	34.428	-	-	-	-	2.947.784	2.982.212
Banks	1.276.370	-	-	-	-	165.814	1.442.184
Financial Assets at Fair Value Through Profit or Loss (Net)	257.492	485.692	989.500	235.226	70.165	5.998	2.044.073
Interbank Money Market Placements	5.697.532	-	-	-	-	-	5.697.532
Financial Assets Available-for-Sale (Net)	-	180.720	97.684	185.826	160	4.225	468.615
Loans (*)	5.300.565	2.429.945	6.583.208	4.199.362	1.209.593	455.401	20.178.074
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	16.318	128.600	-	-	623.470	768.388
Total Assets	12.566.387	3.112.675	7.798.992	4.620.414	1.279.918	4.202.692	33.581.078
Liabilities							
Bank Deposits	66.714	-	-	-	-	41.019	107.733
Other deposits	13.248.988	1.975.586	290.537	18.807	-	3.479.432	19.013.350
Funds from Interbank Money Market	926.119	-	-	-	-	-	926.119
Miscellaneous Payables	-	-	-	-	-	705.511	705.511
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	3.143.496	2.722.483	1.901.196	219.943	-	1.395	7.988.513
Other Liabilities (**)	343.298	229.148	240.445	610.831	16.952	3.399.178	4.839.852
Total Liabilities	17.728.615	4.927.217	2.432.178	849.581	16.952	7.626.535	33.581.078
Balance Sheet Long Position	-	-	5.366.814	3.770.833	1.262.966	-	10.400.613
Balance Sheet Short Position	(5.162.228)	(1.814.542)	-	-	-	(3.423.843)	(10.400.613)
Off Balance Sheet Long Position	-	54.139	410.931	-	-	-	465.070
Off Balance Sheet Short Position	(41.487)	-	-	(3.067)	-	-	(44.554)
Total Position	(5.203.715)	(1.760.403)	5.777.745	3.767.766	1.262.966	(3.423.843)	420.516

(*) Loans consist of factoring transactions amounting to TL 178.898.

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period - 31 December 2014	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	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
Total Assets	17.968.009	4.227.123	4.171.701	3.974.777	1.189.844	2.290.034	33.821.488
Liabilities							
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
Total Liabilities	18.577.377	4.251.302	2.805.736	904.344	40.932	7.241.797	33.821.488
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)
Total Position	(599.748)	(59.266)	1.423.357	3.077.263	1.148.912	(4.951.763)	38.755

(*) Loans consist of factoring receivables amounting to TL 178.305.

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

b. Effective average interest rates for monetary financial instruments:

Current Period – 31 March 2015	Euro	US Dollar	Yen	TL
Assets				
	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	0,99
Banks	-	0,05	-	10,53
Financial Assets at Fair Value Through Profit or Loss (Net)	5,24	6,05	-	8,75
Interbank Money Market Placements	0,25	-	-	10,74
Financial Assets Available-for-Sale (Net)	-	-	-	7,45
Loans	3,92	3,80	-	13,73
Liabilities				
Bank Deposits	-	0,25	-	6,07
Other Deposits	0,93	1,28	1,04	9,21
Funds From Interbank Money Market	-	-	-	7,62
Funds Borrowed	2,17	1,73	-	11,78

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period - 31 December 2014	Euro	US Dollar	Yen	TL
Assets	%	%	%	%
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
Liabilities				
Bank Deposits	-	0,45	-	11,24
Other Deposits	1,12	1,35	0,90	9,30
Funds From Interbank Money Market	-	-	-	8,25
Funds Borrowed	1,71	1,72	-	10,06

c. Interest rate risk on banking book:

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

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

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

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

31 March 2015	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(386.658)	(11,19)%
2. TL	(400)	392.488	10,29%
3. EUR	200	(6.336)	(0,15)%
4. EUR	(200)	225	0,01%
5. USD	200	(80.071)	(1,89)%
6. USD	(200)	42.204	1,00%
Total (of negative shocks)		434.917	10,29%
Total (of positive shocks)		(473.065)	(11,19)%

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)%

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 LIQUIDTY 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, hence is positively affected from the decreases in the general rate of interests and negatively affected from increases in the general rate of interests. These effects are managed through the pre- determined limits.

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

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

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

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

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

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

Current Period - 31 March 2015	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated (*)	Total
Assets								
Cash Equivalents and Central Bank	414.904	2.567.308	-	-	-	-	-	2.982.212
Banks	165.814	1.276.370	-	-	-	-	-	1.442.184
Financial Assets at Fair Value through Profit or Loss (Net)	5.998	245.475	426.030	908.183	361.621	96.766	-	2.044.073
Interbank Money Market Placements	-	5.697.532	-	-	-	-	-	5.697.532
Financial Assets Available-for-Sale (Net)	-	-	180.720	97.683	185.827	160	4.225	468.615
Loans (*)	-	5.398.755	2.199.684	4.679.118	6.057.557	1.387.559	455.401	20.178.074
Investments Held-to-maturity (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	80.818	16.318	137.536	37.266	-	496.450	768.388
Total Assets	586.716	15.266.258	2.822.752	5.822.520	6.642.271	1.484.485	956.076	33.581.078
Liabilities								
Bank Deposits	41.019	66.714	-	-	-	-	-	107.733
Other Deposits	3.479.432	13.248.988	1.975.586	290.537	18.807	-	-	19.013.350
Funds Borrowed	1.395	2.476.736	607.253	686.638	3.050.411	1.166.080	-	7.988.513
Funds from Interbank Money Market	-	926.119	-	-	-	-	-	926.119
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	564.052	82.588	58.871	-	-	-	705.511
Other Liabilities (***)	-	334.726	197.624	339.133	533.448	35.740	3.399.181	4.839.852
Total Liabilities	3.521.846	17.617.335	2.863.051	1.375.179	3.602.666	1.201.820	3.399.181	33.581.078
Net Liquidity Gap	(2.935.130)	(2.351.077)	(40.299)	4.447.341	3.039.605	282.665	(2.443.105)	-
Prior Period - 31 December 2014								
Total Assets	1.186.266	16.944.373	2.818.417	4.286.373	6.105.575	1.575.077	905.407	33.821.488
Total Liabilities	3.257.926	18.410.552	3.012.634	1.585.531	3.051.065	1.113.771	3.390.009	33.821.488
Net Liquidity Gap	(2.071.660)	(1.466.179)	(194.217)	2.700.842	3.054.510	461.306	(2.484.602)	-

(*) As of 31 March 2015, loans include the factoring receivables amounting to TL 178.898 (31 December 2014: TL 178.305).

(**) 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. Explanations on securitization positions:

None.

g. Explanations on credit risk mitigation techniques:

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

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

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

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

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

Risk Classifications- 31 March 2015	Balance	Financial Guarantees	Other/Physical Guarantees	Guarantees And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	3.466.810	-	-	-
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	2.520.603	-	-	-
Conditional and unconditional receivables from Corporates	12.791.541	230.860	-	-
Conditional and unconditional retail receivables	12.829.761	89.703	-	-
Conditional and unconditional receivables secured by Mortgages	1.940.512	-	-	-
Past due receivables	474.016	562	-	-
Receivables defined in high risk category by BRSA	2.803.068	63.389	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	583.446	-	-	-
Total	37.409.757	384.514	-	-
Risk Classifications- 31 December 2014	Balance	Financial Guarantees	Other/Physical Guarantees	Guarantees 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	-	-	-
Total	37.715.100	378.600	-	-

h. Risk management objectives and policies:

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

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

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

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

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

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

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

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

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

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

None.

X. EXPLANATIONS ON OPERATING SEGMENTS

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Current Period 31 March 2015					
Operating Income	294.874	118.716	67.469	-	481.059
Other	-	-	-	-	-
Operating Income	294.874	118.716	67.469	-	481.059
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(81.167)	678	42.415	-	(38.074)
Profit/(Loss) before Tax	(81.167)	678	42.415	-	(38.074)
Corporate Tax Provision (*)	-	-	-	6.028	6.028
Profit/(Loss) after Tax	(81.167)	678	42.415	6.028	(32.046)
Non-Controlling Interest	-	-	-	-	-
Net Profit/(Loss) for the Period	(81.167)	678	42.415	6.028	(32.046)
Segment Assets	8.990.562	12.296.052	12.259.441	-	33.546.055
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	8.990.562	12.296.052	12.294.194	270	33.581.078
Segment Liabilities	19.035.637	5.583.051	8.962.390	-	33.581.078
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	19.035.637	5.583.051	8.962.390	-	33.581.078
Other Segment Items	152.629	(2.318)	(2.589)	-	147.722
Capital Investment	-	-	-	-	-
Amortization	(10.480)	(2.318)	(984)	-	(13.782)
Impairment	-	-	(1.605)	-	(1.605)
Non-Cash Other Income-Expense (**)	163.109	-	-	-	163.109

(*) Corporate tax provision is not distributed.

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

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X. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Prior Period					
Operating Income (**)	328.898	142.477	29.054	-	500.429
Other (**)	-	-	-	-	-
Operating Income (**)	328.898	142.477	29.054	-	500.429
Segment Net Profit (**)	-	-	-	-	-
Undistributed Cost (**)	-	-	-	-	-
Operating Profit/(Loss) (**)	(86.206)	40.756	6.265	-	(39.185)
Income from Subsidiaries	24.385	-	-	-	24.385
Profit/(Loss) before Tax (**)	(61.821)	40.756	6.265	-	(14.800)
Corporate Tax Provision (*) (**)	-	-	-	4.025	4.025
Profit/(Loss) after Tax (**)	(61.821)	40.756	6.265	4.025	(10.775)
Non-Controlling Interest	-	-	-	-	-
Net Profit/(Loss) for the Period (**)	(61.821)	40.756	6.265	4.025	(10.775)
Segment Assets	9.119.225	11.450.640	13.216.600	-	33.786.465
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	9.119.225	11.450.640	13.251.353	270	33.821.488
Segment Liabilities	18.795.826	5.399.811	9.625.851	-	33.821.488
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	18.795.826	5.399.811	9.625.851	-	33.821.488
Other Segment Items (**)	(205.452)	(1.729)	(5.591)	-	(212.772)
Capital Investment	-	-	-	-	-
Amortization	(9.585)	(1.729)	(536)	-	(11.850)
Impairment	-	-	(5.055)	-	(5.055)
Non-Cash Other Income-Expense(***)	(195.867)	-	-	-	(195.867)

(*) Corporate tax provision is not distributed.

(**) Items of income and expense are the amounts for the three month period ended 31 March 2014.

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

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SECTION FIVE

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED
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 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Cash/Foreign Currency	239.989	123.069	221.235	127.391
The CBRT	35.723	2.567.404	676.346	2.468.449
Other (*)	600	15.427	-	12.237
Total	276.312	2.705.900	897.581	2.608.077

(*) As of 31 March 2015, account of Precious Metal is amounting to TL 13.617, Money in Transit is amounting to TL 1.810 respectively (31 December 2014: Precious metal TL 12.237, Money in Transit: None).

2. Information related to balances with the CBRT:

	Current Period 31 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Unrestricted Demand Deposit	35.723	95	676.346	10
Unrestricted Time Deposit	-	-	-	-
Restricted Time Account	-	-	-	-
Reserve Requirements	-	2.567.309	-	2.468.439
Total	35.723	2.567.404	676.346	2.468.449

3. Explanation on reserve deposits:

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

As of 31 March 2015, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 5% - 11,50% (31 December 2014: 5% - 11,50%), for TL deposits and other liabilities, and between 6% - 13% for FC deposits (31 December 2014: 6% - 13%).

Based upon press announcement of Central Bank of the Republic of Turkey with number 2014/72 on 21 October 2014, there will be interest payment on TL reserve deposits starting from November 2014. Based upon press announcement of Central Bank of the Republic of Turkey with number 2015/1 on 3 January 2015, Banks will hold reserve deposits between 6% and 18% for reserve deposit requirement generating foreign currency liabilities, depending on the state of deposits and non-deposit liabilities at Central Bank of the Republic of Turkey as of liability statement dated 13 February 2015. Based upon press announcement of Central Bank of the Republic of Turkey with number 2015/19 on 10 March 2015, ratios for reserve deposits of reserve deposit requirement generating foreign currency liabilities, depending on the state of deposits and non-deposit liabilities has been updated as 6% and 20% as of liability statement dated 13 March 2015.

Based upon press announcement of Central Bank of the Republic of Turkey with number 2014/05 on 23 January 2015, it is adjudicated that 2 per mille commission will be charged to Banks’ reserve deposit in Euro currency, and two day notice foreign exchange deposit accounts within CBRT as of 1 February 2015.

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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 March 2015, the Bank has financial assets at fair value through profit or loss given as collateral/blocked amounting to TL 386.799 (31 December 2014: 22.166).

As of 31 March 2015, the Bank has financial assets at fair value through profit or loss subject to repurchase agreement amounting to TL 512.029. (31 December 2014: TL 269.808).

As of 31 March 2015, the Bank has financial assets at fair value through profit or loss in unrestricted account amounting to TL 200.549 (31 December 2014: TL 64.684).

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

	Current Period 31 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Forward Transactions	24.194	55.504	12.599	36.524
Swap Transactions	663.955	158.666	450.998	101.905
Futures Transactions	-	14	-	-
Options	-	42.363	-	16.256
Other	-	-	-	-
Total	688.149	256.547	463.597	154.685

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 31 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Banks				
Domestic	1.181.161	28	899.523	466.957
Foreign	89.848	171.147	84.749	391.535
Foreign Head Office and Branches	-	-	-	-
Total	1.271.009	171.175	984.272	858.492

2. Information on foreign banks balances:

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

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

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

As of 31 March 2015, the Bank has financial assets available for sale given as collateral/blocked amount to TL 46.839 (31 December 2014: TL 392.104).

As of 31 March 2015 the Bank has financial assets available for sale amounting to TL 411.236 subject to repurchase agreement (31 December 2014: TL 125.789).

As of 31 March 2015 the Bank has financial assets available for sale in unrestricted account amounting to TL 10.540 (31 December 2014: TL 12.356).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Current Period 31 March 2015	Prior Period 31 December 2014
Debt Securities	467.562	527.324
Quoted to Stock Exchange	467.562	527.324
Not Quoted	-	-
Share Certificate	4.225	4.225
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.225	4.225
Impairment Provision (-)	3.172	1.300
Total	468.615	530.249

(*) 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 March 2015		Prior Period 31 December 2014	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	416	176.741	85	171.562
Corporate Shareholders	416	176.741	85	171.562
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	29.803	439.902	3.879	415.922
Loans Granted to Employees	23.034	-	26.518	-
Total	53.253	616.643	30.482	587.484

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables	Agreement Terms Modified		Loans and Other Receivables	Agreement Terms Modified	
		Payment Plan Extensions	Other		Payment Plan Extensions	Other
Non-specialised Loans	18.087.122	1.085.613	-	424.218	125.720	-
Commercial Loans	7.707.644	905.018	-	140.828	76.705	-
Export Loans	1.244.104	84.726	-	19.078	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	128.222	-	-	-	-	-
Consumer Loans	4.698.448	40.238	-	105.441	41.400	-
Credit Cards	3.293.706	-	-	121.760	-	-
Other (*)	1.014.998	55.631	-	37.111	7.615	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	18.087.122	1.085.613	-	424.218	125.720	-

(*) Includes the factoring receivables amounting to TL 178.898.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Receivables		Receivables	under Close Monitoring
Extended by 1 or 2 times	1.078.350			125.720
Extended by 3, 4 or 5 times	7.263			-
Extended by more than 5 times	-			-

Extended period of time	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Receivables		Receivables	under Close Monitoring
0 – 6 Months	248.987			10.456
6 – 12 Months	318.064			6.024
1 – 2 Years	199.892			48.630
2 – 5 Years	268.142			58.609
5 years or more	50.528			2.001

3. Breakdown of loans according to their maturities:

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	100.645	4.438.344	4.538.989
Mortgage Loans	215	1.435.540	1.435.755
Automotive Loans	171	5.631	5.802
Consumer Loans	100.259	2.997.173	3.097.432
Other	-	-	-
Consumer Loans- Indexed to FC	-	5.797	5.797
Mortgage Loans	-	5.744	5.744
Automotive Loans	-	-	-
Consumer Loans	-	53	53
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.361.703	20.812	3.382.515
Instalment	1.224.915	20.812	1.245.727
Non Instalment	2.136.788	-	2.136.788
Individual Credit Cards-FC	7.122	-	7.122
Instalment	-	-	-
Non Instalment	7.122	-	7.122
Personnel Loans-TL	1.357	14.655	16.012
Mortgage Loans	-	17	17
Automotive Loans	-	-	-
Consumer Loans	1.357	14.638	15.995
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	7.000	-	7.000
Instalment	3.159	-	3.159
Non Instalment	3.841	-	3.841
Personnel Credit Cards-FC	22	-	22
Instalment	-	-	-
Non Instalment	22	-	22
Overdraft Account-TL (Individual)	324.729	-	324.729
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	3.802.578	4.479.608	8.282.186

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	49.138	584.268	633.406
Mortgage Loans	-	3.877	3.877
Automotive Loans	174	4.329	4.503
Consumer Loans	48.964	576.062	625.026
Other	-	-	-
Commercial Instalment Loans- Indexed to FC	34.770	388.163	422.933
Mortgage Loans	-	12.922	12.922
Automotive Loans	212	9.131	9.343
Consumer Loans	34.558	366.110	400.668
Other	-	-	-
Commercial Instalment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	17.873	5	17.878
Instalment	4.572	5	4.577
Non Instalment	13.301	-	13.301
Corporate Credit Cards-FC	929	-	929
Instalment	-	-	-
Non Instalment	929	-	929
Overdraft Account-TL (Commercial)	58.186	-	58.186
Overdraft Account-FC (Commercial)	-	-	-
Total	160.896	972.436	1.133.332

6. Loans according to types of borrowers:

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

7. Domestic and foreign loans:

	Current Period 31 March 2015	Prior Period 31 December 2014
Domestic Loans	19.318.631	18.645.850
Foreign Loans	404.042	388.878
Total (*)	19.722.673	19.034.728

(*) Includes the factoring receivables amounting to TL 178.878 (31 December 2014: TL 178.305).

8. Loans granted to investments in associates and subsidiaries:

As of 31 March 2015 and 31 December 2014, the Bank has no loans granted to investments in associates and subsidiaries.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

9. Specific provisions for loans:

	Current Period 31 March 2015	Prior Period 31 December 2014
Loans and Receivables with Limited Collectability	34.152	41.785
Loans and Receivables with Doubtful Collectability	145.891	143.213
Uncollectible Loans and Receivables	679.640	577.949
Total	859.683	762.947

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 March 2015	837	13.491	17.060
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	837	13.491	17.060
Rescheduled Loans and Other Receivables	-	-	-
Prior Period: 31 December 2014	1.732	1.863	16.610
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	1.732	1.863	16.610
Rescheduled Loans and Other Receivables	-	-	-

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Prior Period Balances at the End of the 31 December 2014	261.417	311.020	668.123
Additions (+)	158.252	6	5.119
Transfers from Other Categories of Non- Performing Loans (+)	767	190.767	147.227
Transfers to Other Categories of Non-Performing Loans (-)	190.621	147.314	826
Collections (-)	15.057	23.894	21.705
Write-offs (-)	-	-	28.197
Corporate and Commercial Loans	-	-	28.174
Retail Loans	-	-	-
Credit Cards	-	-	23
Other	-	-	-
Balance at the End of the Period: 30 September 2014	214.758	330.585	769.741
Specific Provisions (-)	34.152	145.891	679.640
Net Balance in Balance Sheet	180.606	184.694	90.101

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period: 31 March 2015			
Balance at the End of the Period	19	-	411
Specific Provisions (-)	2	-	127
Net Balance on Balance Sheet	17	-	284
Prior Period: 31 December 2014			
Balance at the End of the Period	-	-	423
Specific Provisions (-)	-	-	130
Net Balance on Balance Sheet	-	-	293

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net): 31 March 2015			
Loans granted to corporate entities and real persons (Gross)	214.758	330.585	769.741
Specific Provisions Amount (-)	34.152	145.891	679.640
Loans granted to corporate entities and real persons (Net)	180.606	184.694	90.101
Banks (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): 31 December 2014	219.632	167.807	90.174
Loans granted to corporate entities and real persons (Gross)	261.417	311.020	668.123
Specific Provisions Amount (-)	41.785	143.213	577.949
Loans granted to corporate entities and real persons (Net)	219.632	167.807	90.174
Banks (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

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

For uncollectible loans, primarily, a reach for an agreement with the company and third parties (natural and/ or legal) having guarantees subject to the risk is being sought and actions either aimed at liquidation of collateral in the loan risk warranty or aimed at proceedings without 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.

a. Investments Held-to-maturity:

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

As of 31 March 2015 and 31 December 2014, 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 March 2015 and 31 December 2014 the Bank has no investments as government debt securities held to maturity

3. Information on investments held-to-maturity:

As of 31 March 2015 and 31 December 2014, the Bank has no investments held to maturity.

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

As of 31 March 2015 and 31 December 2014, the Bank has no investments of held to maturity movement.

b. Information on associates (Net):

The Bank has no associates as of 31 March 2015 and 31 December 2014.

c. Information on subsidiaries (Net):

1. Information on unconsolidated/subsidiaries:

a) Unconsolidated subsidiaries:

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

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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.

2. Information on the consolidated subsidiaries:

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

a) Consolidated subsidiaries:

Title	Address (City/Country)	Bank's share percentage - If different voting percentage (%)	Bank's risk group share percentage (%)
1 HSBC Yatırım ve Menkul Değerler A.Ş.	Esenteppe 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	91.253	75.461	1.410	1.442	438	6.140	5.702	-

(*) Prepared with the unaudited financial statements as of 31 March 2015.

(**) The prior period balances represent the amounts as of 31 March 2014.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

3. Movement schedule of the consolidated subsidiaries:

	Current Period 31 March 2015	Prior Period 31 December 2014
Balance at the Beginning of the Period	34.753	34.753
Movements During the Period	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Increase/(decrease) of valuation	-	-
Balance at the End of the Period	34.753	34.753
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	99.87	99.87

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

Subsidiaries	Current Period 31 March 2015	Prior Period 31 December 2014
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

5. Subsidiaries quoted on a stock exchange:

The Bank has no subsidiaries quoted on a stock exchange as of 31 March 2015 and 31 December 2014.

d. Information on jointly controlled entities:

- The Bank has no jointly controlled entities as of 31 March 2015 and 31 December 2014.
- As of 31 March 2015 and 31 December 2014, the accounting method is not determined since the Bank has no jointly controlled entities.

e. Information on finance lease(Net):

As of 31 March 2015 and 31 December 2014, the Bank has no finance lease.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

f. Information on hedging derivative financial assets:

	Current Period 31 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	144.919	-	36.299	-
Foreign Net Investment Hedge	-	-	-	-
Total	144.919	-	36.299	-

g. Explanations on property and equipment:

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

h. Information on intangible assets:

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

i. Information on the investment properties:

As of 31 March 2015 and 31 December 2014, the Bank has no investment properties.

j. Information on deferred tax asset:

As of 31 March 2015 deferred tax asset of the Bank is TL 52.911 (31 December 2014: TL 46.063). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

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

There is no impairment provision for deferred tax.

k. Information on assets held for resale and related to discontinued operations:

As of 31 March 2015, assets held for resale of the Bank is TL 2.744 (31 December 2014: TL 3.179).

l. Information on other assets:

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

2. Other assets of the balance sheet consist of the debited suspense accounts amounting to TL 110.109 (31 December 2014: TL 106.066), the prepaid expenses amounting to TL 78.353 (31 December 2014: TL 61.563), other rediscount income amounting to TL 14.914 (31 December 2014: TL 18.420), miscellaneous receivables amounting to TL 8.444 (31 December 2014: TL 7.661), and other assets amounting to TL 455 (31 December 2014: TL 678).

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

As of 31 March 2015 and 31 December 2014, 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:

1(i). Current Period - 31 March 2015:

	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	633.375	-	3.813.006	3.259.150	299.133	101.713	73.116	-	8.179.493
Foreign Currency Deposits	2.061.362	-	2.174.603	3.881.243	177.317	98.777	121.997	-	8.515.299
Residents in Turkey	1.710.502	-	1.985.679	3.315.791	116.318	51.146	59.080	-	7.238.516
Residents Abroad	350.860	-	188.924	565.452	60.999	47.631	62.917	-	1.276.783
Public Sector Deposits	125.934	-	-	-	-	-	-	-	125.934
Commercial Deposits	408.202	-	1.373.512	82.518	11.746	6.987	3.561	-	1.886.526
Other Institutions Deposits	12.280	-	2.321	11.944	122	747	129	-	27.543
Precious Metal Deposit	238.279	-	-	31.081	5.611	3.584	-	-	278.555
Bank Deposits	41.019	-	66.714	-	-	-	-	-	107.733
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	358	-	52.212	-	-	-	-	-	52.570
Foreign Banks	40.661	-	14.502	-	-	-	-	-	55.163
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.520.451	-	7.430.156	7.265.936	493.929	211.808	198.803	-	19.121.083

1(ii). Prior 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	-	-	-	-	-	-	-	-	-
Total	3.252.747	-	6.771.170	7.465.637	1.065.031	283.683	202.048	-	19.040.316

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 March 2015	Prior Period 31 December 2014	Current Period 31 March 2015	Prior Period 31 December 2014
Saving Deposits	4.053.042	4.472.125	3.932.593	3.786.609
Foreign Currency Saving Deposits	1.680.475	1.606.622	4.051.100	3.571.243
Other Deposits in the Form of Saving Deposits	16.905	25.023	64.535	73.422
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	209.321	212.923	266.320	254.987
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	5.959.743	6.316.693	8.314.548	7.686.261

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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 March 2015	Prior Period 31 December 2014
Foreign Branches’ Deposits and other accounts	266.320	254.987
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	8.764	8.193
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 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Forward Transactions	36.279	128.715	27.810	52.347
Swap Transactions	43.347	579.761	51.005	355.624
Future Transactions	-	-	-	-
Options	-	43.171	-	16.854
Other	-	-	-	-
Total	79.626	751.647	78.815	424.825

c. Information on repurchase agreements:

As of 31 March 2015, the Bank has repurchase agreements amounting to TL 926.119 (31 December 2014: 395.596).

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 31 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	8.945	-	7.570	279
Foreign Banks, Institutions and Funds	1.392.102	5.421.386	2.505.264	5.695.853
Total	1.401.047	5.421.386	2.512.834	5.696.132

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

2. Information on maturity structure of funds borrowed:

	Current Period 31 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Short-term	8.945	2.505.025	1.159.873	2.806.927
Medium and Long-term	1.392.102	2.916.361	1.352.961	2.889.205
Total	1.401.047	5.421.386	2.512.834	5.696.132

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 2014: 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.

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

	Current Period 31 March 2015	Prior Period 31 December 2014
Less Than 1 Year	32.887	22.899
Between 1-4 Years	22.269	24.750
More Than 4 Years	4.502	4.345
Total	59.658	51.994

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g. Information on derivative financial liabilities for hedging purposes:

	Current Period 31 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	16.991	-	8.615	-
Hedge of net investment in foreign operations	-	-	-	-
Total	16.991	-	8.615	-

h. Information on provisions:

1. Information on general provisions:

	Current Period 31 March 2015	Prior Period 31 December 2014
General Provisions	399.707	362.405
Provisions for First Group Loans and Receivables	279.644	266.320
- Additional Provision for Loans and Receivables with Extended Maturities	32.115	18.644
Provisions for Second Group Loans and Receivables	22.543	21.173
- Additional Provision for Loans and Receivables with Extended Maturities	5.764	3.084
Provisions for Non-Cash Loans	39.347	34.833
Other	20.294	18.351

2. Information on employee benefit provisions:

As of 31 March 2015 the Bank has employee termination benefit provision amountin to TL 31.236 (31 December 2014: TL 28.384), and unused vacation provision amounting to TL 6.451 (31 December 2014: TL 5.451).

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 31 March 2015 is TL 3.541,37 (full TL) (31 December 2014: TL 3.438,22 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

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

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Bank is calculated from the ceiling amount valid from 1 January 2015, TL 3.541,37 (full TL) (31 December 2014: TL 3.438,22 (full TL)).

	Current Period 31 March 2015	Prior Period 31 December 2014
Balances at End of Prior Period	28.384	25.551
Provision booked in current period	4.638	12.145
Provision paid in current period (-)	1.786	9.312
Balances at End of the Period	31.236	28.384

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

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

As of 31 March 2015, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 8.716 (31 December 2014: TL 8.838), is offset with the balance of foreign currency indexed loans.

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

As of 31 March 2015, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 484 (31 December 2014: TL 406).

5. Information on other provisions:

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

As of 31 March 2015 and 31 December 2014, 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:

As of 31 March 2015, the Bank has no other provisions exceed 10% of total 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 March 2015	Prior Period 31 December 2014
Corporate Taxes Payable	-	-
Taxation on Marketable Securities	15.676	14.879
Capital Gains Tax on Property	1.514	1.324
Banking Insurance Transaction Tax (BITT)	12.340	13.511
Foreign Exchange Transaction Tax	13	9
Value Added Tax Payable	1.126	1.310
Other (*)	17.515	9.625
Total	48.184	40.658

(*) As of 31 March 2015, consists of payroll tax amounting to TL 16.141 (31 December 2014: TL 8.846), self-employed income tax amounting to TL 13 (31 December 2014: TL 18), stamp tax amounting to TL 550 (31 December 2014: TL 275) and other taxes amounting to TL 811 (31 December 2014: TL 486).

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

1(ii). Information on premium payables:

	Current Period	Prior Period
	31 March 2015	31 December 2014
Social Security Premiums – Employee	4.132	3.407
Social Security Premiums – Employer	4.459	3.611
Bank Social Aid Pension Fund Premium – Employee	-	-
Bank Social Aid Pension Fund Premium – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	263	201
Unemployment Insurance – Employer	581	468
Other	-	-
Total	9.435	7.687

2. Information on deferred tax liability:

As of 31 March 2015, the Bank has no deferred tax liability (31 December 2014: 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 March 2015 and 31 December 2014, the Bank has no liabilities for asset held for sale and related to discontinued operations.

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

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

l. Information on shareholder’s equity:

1. Presentation of paid-in capital:

	Current Period	Prior Period
	31 March 2015	31 December 2014
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

Amount of paid-in capital has presented in notional amount. As of 31 March 2015, the Bank has TL 272.693 capital reserve due to adjustment of the paid-in capital for inflation.

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

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

Registered share capital system is not applied.

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

The Bank has not increased it’s 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.

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

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.

8. Information on marketable securities value increase fund:

	Current Period 31 March 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Jointly Controlled Entities	-	-	-	-
Valuation Difference	4.550	-	7.336	-
Translation Difference	-	-	-	-
Total	4.550	-	7.336	-

9. Information on revaluation value increase fund:

As of 31 March 2015 and 31 December 2014, the Bank has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period 31 March 2015	Prior Period 31 December 2014
First Legal Reserve	136.294	134.513
Second Legal Reserve	45.444	45.444
Legal Reserves according to Special Legislation	-	-
Total	181.738	179.957

11. Information on extraordinary reserves:

	Current Period 31 March 2015	Prior Period 31 December 2014
Reserves Allocated per General Assembly Minutes	1.783.650	1.841.356
Retained Earnings	97.844	97.844
Accumulated Loss	-	-
Translation Difference	-	-
Total	1.881.494	1.939.200

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 March 2015, the Bank has amounting to irrevocable commitments TL 29.895.828 (31 December 2014: TL 20.060.480).

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 March 2015, the Bank has letter of credit amounting to TL 1.334.257 (31 December 2014: TL 1.259.624), acceptances amounting to TL 673.476 (31 December 2014: TL 721.520) and commitments and contingencies due to letter of credit amounting to TL 687.242 (31 December 2014: TL 686.323). Also the Bank has other commitments and contingencies amounting to TL 403.475 (31 December 2014: TL 398.362).

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 March 2015	Prior Period 31 December 2014
Non-Cash Loans Given for Cash Loan Risks	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	-	-
Other Non-Cash Loans	3.098.450	3.065.829
Total	3.098.450	3.065.829

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

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

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

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

b. Explanations on derivative transactions:

As of 31 March 2015, the Bank has forward transactions amounting to TL 8.957.966 (31 December 2014: TL 6.651.120), currency swap amounting to TL 57.416.389 (31 December 2014: TL 74.400.992), currency option amounting to TL 8.488.174 (31 December 2014: TL 3.333.416), interest rate swap amounting to TL 11.701.054 (31 December 2014: TL 10.951.176), precious metal option amounting to TL 46.878 (31 December 2014: TL 64.724), interest rate future amounting to TL 548.226 (31 December 2014: None), precious metal swap amounting to TL 364.374 (31 December 2014: TL 289.856). As of 31 March 2015 and 31 December 2014, the Bank has no interest rate option. Transactions to decrease foreign currency and interest rate risk have been classified trading derivative financial instrument or hedging derivative financial instruments and valued with their fair value by the Bank.

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

1. Cash Flow Hedge Accounting:

The Bank applies cash flow hedge accounting by cross currency swap transactions in order to hedge itself from the changes in the interest rates of the fixed-rate time deposits which have maturity of 1-3 month. The Bank applies effectiveness test in any balance sheet date. While the effective portions are accounted under hedging reserves in shareholders' equity as described in TAS 39, the ineffective portion is recognized at income statement. As of 31 March 2015, swaps amounting to TL 2.780.598 (31 December 2014: 2.474.505) were subjected to cash flow hedge accounting as hedging instrument. After such hedge accounting, fair value gain before tax amounting to TL 5.540 (31 December 2014: TL 803 loss) are recognized under shareholders' equity in the current period. As of 31 March 2015, the Bank has ineffective portion amounting to TL 562 as a result of effectiveness tests (31 December 2014: TL 17).

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

Contingent assets are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 31 March 2015, there is no contingent asset to be disclosed.

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

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 31 March 2015, the total amount of these lawsuits filed against the Bank is TL 26.764 (31 December 2014: TL 29.752). A total provision of TL 8.996 (31 December 2014: TL 8.103) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favour, with TL 4.210 (31 December 2014: TL 4.136) being for provisions for refunds related to case document charges.

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

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

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IV. EXPLANATIONS AND NOTES TO INCOME STATEMENT

a. Information on interest income:

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

	Current Period 31 March 2015		Prior Period 31 March 2014	
	TL	FC	TL	FC
Short-term Loans	237.966	10.890	211.776	12.271
Medium and Long-Term Loans	183.247	39.731	194.560	36.341
Interest on Loans Under Follow-Up	6.099	-	6.522	-
Premiums Received from the Resource Utilization Support Fund	-	-	-	-
Total	427.312	50.621	412.858	48.612

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

2. Information on interest income received from banks:

	Current Period 31 March 2015		Prior Period 31 March 2014	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	34.689	517	21.417	2.326
From Foreign Banks	254	119	186	253
Headquarters and Branches Abroad	-	-	-	-
Total	34.943	636	21.603	2.579

3. Information on interest income on marketable securities:

	Current Period 31 March 2015		Prior Period 31 March 2014	
	TL	FC	TL	FC
Financial Assets Held For Trading	16.365	104	5.726	108
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	11.733	-	39.975	-
Investments Held to Maturity	-	-	-	-
Total	28.098	104	45.701	108

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

As of 31 March 2015 and 31 March 2014, 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 March 2015		Prior Period 31 March 2014	
	TL	FC	TL	FC
Banks	50.641	29.787	49.508	35.028
The CBRT	-	-	-	-
Domestic Banks	392	3	376	27
Foreign Banks	50.249	29.784	49.132	35.001
Headquarters and Branches				
Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	50.641	29.787	49.508	35.028

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

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

	Current Period 31 March 2015	Prior Period 31 March 2014
Interest Expenses Given to Subsidiaries and Associates	1.467	887

3. Information on interest expense paid on securities issued:

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

4. Maturity structure of the interest expense on deposits:

Current Period: 31 March 2015	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	1.656	-	-	-	-	-	1.656
Saving deposits	-	92.510	75.155	10.068	2.729	1.666	-	182.128
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	24.989	4.640	1.715	267	80	-	31.691
Other deposits	-	101	224	2	1	1	-	329
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	119.256	80.019	11.785	2.997	1.747	-	215.804
Foreign Currency								
Foreign currency deposits	-	5.587	12.573	617	338	468	-	19.583
Interbank deposits	-	47	-	-	-	-	-	47
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	81	15	20	-	-	116
Total	-	5.634	12.654	632	358	468	-	19.746
Grand Total	-	124.890	92.673	12.417	3.355	2.215	-	235.550

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

Current Period: 31 March 2014	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	2.386	-	-	599	-	-	2.985
Saving deposits	-	33.950	106.654	11.250	2.110	1.235	-	155.199
Public sector deposits	-	1	-	-	-	-	-	1
Commercial deposits	-	55.069	16.335	3.594	497	192	-	75.687
Other deposits	-	778	1.986	241	3	1	-	3.009
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	92.184	124.975	15.085	3.209	1.428	-	236.881
Foreign Currency								
Foreign currency deposits	-	5.087	15.879	2.010	523	1.174	-	24.673
Interbank deposits	-	108	-	-	-	-	-	108
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	61	15	20	-	-	96
Total	-	5.195	15.940	2.025	543	1.174	-	24.877
Grand Total	-	97.379	140.915	17.110	3.752	2.602	-	261.758

5. Information on interest given on repurchase agreement:

The Bank has interest given on repurchase agreement amounting to TL 12.096 during the three month period ended on 31 March 2015 (31 March 2014: TL 19.504).

6. Information on finance lease expense:

The Bank has no finance lease expense during the three month period ended on 31 March 2015 and 31 March 2014.

7. Information on interest given on factoring payables:

The Bank has no interest given on factoring payables during the three month period ended on 31 March 2015 and 2014.

c. Explanations on dividend income:

The share of the Bank in the dividend distribution of HSBC Yatırım is TL 16.724 during the period ended on 31 March 2015 (31 March 2014: TL 24.385).

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

	Current Period 31 March 2015	Prior Period 31 March 2014
Profit	19.166.072	18.445.438
Capital Market Transactions Income	6.253	11.447
Gain on Derivative Financial Transactions	2.862.537	252.975
Foreign Exchange Gains	16.297.282	18.181.016
Loss (-)	19.229.669	18.484.192
Capital Market Transactions Loss	8.531	19.711
Loss on Derivative Financial Transactions	2.494.067	279.542
Foreign Exchange Loss	16.727.071	18.184.939
Total (Net)	(63.597)	(38.754)

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

2. Information on derivative instruments gain/loss:

	Current Period 31 March 2015	Prior Period 31 March 2014
Effect of the change in exchange rates on profit/loss	331.168	60.247
Effect of the change in interest rates on profit/loss	37.302	(86.814)
Total (Net)	368.470	(26.567)

e. Information on other operating income:

As of 31 March 2015, other operating income consists of reversal of the previous year provision amounting to TL 38.638 (31 March 2014: TL 70.898), provision for telecommunication expense amounting to TL 515 (31 March 2014: 676), gain on sale of assets amounting to TL 771 (31 March 2014: TL 182) and other income amounting to TL 8.481 (31 March 2014: TL 5.743).

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

	Current Period 31 March 2015	Prior Period 31 March 2014
Specific Provisions for Loans and Other Receivables	154.743	143.169
III. Group Loans and Receivables	12.453	29.196
IV. Group Loans and Receivables	24.702	33.179
V. Group Loans and Receivables	117.588	80.794
General Provision Expenses	37.302	22.076
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	1.605	5.055
Financial Assets at Fair Value Through Profit or Loss	360	172
Available-for-sale Financial Assets	1.245	4.883
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	567	3.203
Total	194.217	173.503

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IV. EXPLANATIONS AND NOTES TO INCOME STATEMENT (Continued)

g. Information related to other operating expenses:

	Current Period 31 March 2015	Prior Period 31 March 2014
Personnel Expenses	144.032	153.592
Reserve for Employee Termination Benefits	3.147	4.566
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	9.475	9.113
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	4.290	2.710
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	17	26
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	103.123	105.562
Operational Lease Expenses	37.884	33.454
Maintenance Expenses	10.562	8.911
Communication Expenses	9.370	12.563
Advertisement Expenses	8.415	15.678
Banking Services Promotion Expenses	6.677	7.122
Maintenance License Expenses	5.871	6.329
Cleaning Expenses	3.964	2.263
Shipping Expenses	3.958	2.917
Building Expenses	3.864	3.797
Monthly Payment Expenses	3.534	3.065
Other Expenses	9.024	9.463
Tax, Duties, Charges and Funds Expenses	16.258	11.068
Saving Deposit Insurance Fund Expenses	13.420	14.653
Loss on Sales of Assets	295	5
Other	30.859	40.431
Total	324.916	341.726

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

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

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

As of 31 March 2015, the Bank has corporate tax provision expense amounting to TL 1.613 (31 March 2014: TL 5.459) and deferred tax income amounting to TL 7.641 (31 March 2014 deferred tax income: TL 9.484). The total amount of deferred tax income, amounting to TL 7.641 (31 March 2014 deferred tax income: TL 9.484), 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 352.258 (31 March 2014: TL 282.636), net wage and commission income amounting to TL 127.269 (31 March 2014: TL 154.663) have an important role among the income items in the interim accounting period ending on 31 March 2015. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank's interest income are the interests received from loans, securities and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

"Other fee and commissions" in the income statement consist of commissions received from credit card transactions amounting to TL 84.084 (31 March 2014: TL 103.452), commissions received from banking transactions amounting to TL 17.008 (31 March 2014: TL 29.767), insurance commissions amounting to TL 19.822 (31 March 2014: TL 20.615), Tefas Fund Platform amounting to TL 3.539 (31 March 2014: None) and other fee and commissions amounting to TL 10.010 (31 March 2014: TL 7.438).

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

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

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

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

2. Information on increases in cash flow hedges:

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

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

1. Information on available-for-sale investments:

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

2. Information on cash flow hedges:

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

c. Information on dividend distribution:

None.

d. Information on issuance of common stock:

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

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

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

f. Offsetting prior period’s losses:

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

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

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

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

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

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

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

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

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

d. Information on cash and cash equivalents:

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

e. Additional information:

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

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

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

Current Period – 31 March 2015:

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	-	123	3.964	587.484	-	7
Closing Balance	-	123	30.219	616.643	-	-
Interest and Commissions Income	-	-	87	17	-	-

Prior 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(*)	-	-	74	358	-	-

(*) The prior period balances present amounts of 31 March 2014.

2. 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	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Deposit						
Opening Balance	30.974	33.046	37.517	50.715	6.227	376
Closing Balance	30.343	30.974	32.946	37.517	12.078	6.227
Interest expense on deposits (*)	977	887	-	-	313	68

(*) The prior period balances present amounts of 31 March 2014.

3. 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	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	84.523.265	88.076.697	-	-
Closing Balance	-	-	79.147.536	84.523.265	-	-
Total Profit/Loss(*)	-	-	174.674	18.969	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	2.474.505	-	-	-
Closing Balance	-	-	2.780.598	2.474.505	-	-
Total Profit/Loss	-	-	562	-	-	-

(*) The prior period balances present amounts of 31 March 2014.

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

As of 31 March 2015, payment is made to top executives of the Bank amounting to TL 20.971 (31 March 2014: TL 25.971).

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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:

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

IX. EXPLANATIONS AND NOTES TO THE SUBSEQUENT EVENTS

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

None.

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

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2015
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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

As of 31 March 2015, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of PricewaterhouseCoopers) and review report dated 13 May 2015 is presented before to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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