

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
AND REVIEW REPORT
AT 30 SEPTEMBER 2015,
SEE NOTE I OF SECTION THREE**

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH REVIEW REPORT
AT 30 SEPTEMBER 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 30 September 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 nine-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 30 September 2015 and of the results of its operations and its cash flows for the nine-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.

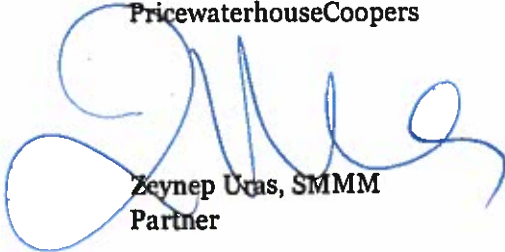
Other Matter

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, 11 November 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 30 SEPTEMBER 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

Burçin Ozan
Financial Reporting
Assistant General
Manager

Yerliozan Kül
Group Head

Ian Simon Jenkins
Head of
Audit Comitee

Hamit Aydoğan
Member of
Audit Comitee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Zeynep Terzioğlu/Senior Manager
Tel : (0212) 376 4308
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HSBC Bank A.Ş.

Sicil Numarası: İstanbul Ticaret Sicil Müdürlüğü - 268376

Ticaret Ünvanı: HSBC Bank A.Ş.

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

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

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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 30 September 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 30 September 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.

An announcement was placed on Public Disclosure Platform on 9 June 2015 stating that HSBC Bank PLC, main shareholder of HSBC Bank A.Ş., has decided to sell its shares and that throughout this process Bank's customers and employees have priority and customers will have uninterrupted service. More details will be provided in later announcements.

HSBC Group CEO Stuart Gulliver has stated on 2 November 2015 that there is no progress regarding the sale of the Turkey office and that he expects the process to last longer.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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
	Paul HAGEN	Member	Graduate
	Hamit AYDOĞAN	Member	Undergraduate
	Mehmet Gani SÖNMEZ	Member	Undergraduate
	Ian Simon JENKINS	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 Assistants to the General Manager:	Necdet Murat ŞARSEL	Credit and Risk	Graduate
	Rüçhan ÇANDAR (*)	Operations Service and Technology	Graduate
Executive Vice Presidents:	Necdet Murat ŞARSEL	Credit and Risk	Graduate
	Sait Burak ZEYLAN	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
	Burçin OZAN	Finance	Undergraduate
	Ali Dündar PARLAR	Internal Systems and Regulations	Undergraduate
	Rüçhan ÇANDAR	Technology and Services	Graduate
	Şengül DEMİRCAN	Human Resources	Undergraduate
Audit Committee:	Ian Simon JENKINS	Head of the Audit Committee	Graduate
	Hamit AYDOĞAN (***)	Member of the Audit Committee	Undergraduate
	Paul HAGEN	Member of the Audit Committee	Graduate

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

(*) According to decision numbered 13318 and dated 29 July 2015, as of 17 September 2015 Rüçhan ÇANDAR has been appointed as a Chief Assistant to the General Manager.

(**) According to decision numbered 13321 and dated 3 August 2015, Leyla ETKER has resigned from the Board of Directors. No one has replaced her.

(***) According to decision numbered 13326 dated 27 August 2015, Hamit AYDOĞAN has replaced Leyla ETKER on the Audit Committee.

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HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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, Unico 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 30 September 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 30 September 2015, the number of employees of the Bank is 5.266 (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 30 SEPTEMBER 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 30 SEPTEMBER 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 (30/09/2015)			Prior Period (31/12/2014)		
		ASSETS			ASSETS		
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH CENTRAL BANK	(I-a)	289.479	3.649.131	3.938.610	897.581	2.608.077	3.505.658
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	2.264.971	297.213	2.562.184	803.842	171.098	974.940
2.1 Trading Financial Assets		2.264.971	297.213	2.562.184	803.842	171.098	974.940
2.1.1 Government Debt Securities		1.396.929	9.356	1.406.285	337.370	16.413	353.783
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		860.693	287.857	1.148.550	463.597	154.685	618.282
2.1.4 Other Marketable Securities		7.349	-	7.349	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)	57.977	2.878.788	2.936.765	984.272	858.492	1.842.764
IV. MONEY MARKETS			315.191	315.191	6.833.606		6.833.606
4.1 Interbank Money Market Placements		-	135.574	135.574	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	179.617	179.617	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	6.833.606	-	6.833.606
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	212.222	-	212.222	530.249	-	530.249
5.1 Share Certificates		4.225	-	4.225	4.225	-	4.225
5.2 Government Debt Securities		207.997	-	207.997	526.024	-	526.024
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(I-e)	14.836.701	7.219.794	22.056.495	14.560.675	4.773.361	19.334.036
6.1 Loans		14.356.152	7.219.560	21.575.712	14.083.355	4.773.068	18.856.423
6.1.1 Bank's Risk Group	(VII)	-	22.085	22.085	-	3.964	3.964
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		14.356.152	7.197.475	21.553.627	14.083.355	4.769.104	18.852.459
6.2 Loans Under Follow-Up		1.144.222	352	1.144.574	1.240.137	423	1.240.560
6.3 Specific Provisions (-)		663.673	118	663.791	762.817	130	762.947
VII. FACTORING RECEIVABLES		213.198	40.970	254.168	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)	31.386	-	31.386	36.299	-	36.299
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		31.386	-	31.386	36.299	-	36.299
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	93.193	-	93.193	115.151	-	115.151
XV. INTANGIBLE ASSETS (Net)	(I-m)	35.643	-	35.643	117.657	-	117.657
15.1 Goodwill		-	-	-	83.450	-	83.450
15.2 Other		35.643	-	35.643	34.207	-	34.207
XVI. INVESTMENT PROPERTY (Net)	(I-n)						
XVII. TAX ASSET		28.521	-	28.521	120.233	-	120.233
17.1 Current Tax Asset		28.521	-	28.521	74.170	-	74.170
17.2 Deferred Tax Asset	(I-o)	-	-	-	46.063	-	46.063
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	3.078	-	3.078	3.179	-	3.179
18.1 Held for sale Purposes		3.078	-	3.078	3.179	-	3.179
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	222.891	143.765	366.656	179.518	14.870	194.388
TOTAL ASSETS		18.324.283	14.544.852	32.869.135	25.379.797	8.441.691	33.821.488

The accompanying explanations and notes set out on pages 13 to 71 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 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 (30/09/2015)			Prior Period (31/12/2014)		
		LIABILITIES			LIABILITIES		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(II-a)	9.277.245	10.586.360	19.863.605	10.976.198	8.064.118	19.040.316
I.1 Deposits of Bank's risk group	(VII)	81.997	3.226	85.223	71.065	3.653	74.718
I.2 Other		9.195.248	10.583.134	19.778.382	10.905.133	8.060.465	18.965.598
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	9.283	750.360	759.643	78.815	424.825	503.640
III. BORROWINGS	(II-d)	863.962	4.725.943	5.589.905	2.512.834	5.696.132	8.208.966
IV. MONEY MARKETS		700.001		700.001	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)	700.001		700.001	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		391.840	277.010	668.850	443.161	150.701	593.862
VIII. OTHER LIABILITIES	(II-e)	423.530	102.992	526.522	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)				8.615		8.615
11.1 Fair Value Hedge							
11.2 Cash Flow Hedge					8.615		8.615
11.3 Foreign Net Investment Hedge							
XII. PROVISIONS	(II-h)	540.717	870	541.587	454.128	1.749	455.877
12.1 General Loan Loss Provision		448.945		448.945	362.405		362.405
12.2 Restructuring Provisions							
12.3 Reserve for Employee Rights		41.495		41.495	33.835		33.835
12.4 Insurance Technical Provisions (Net)							
12.5 Other Provisions		50.277	870	51.147	57.888	1.749	59.637
XIII. TAX LIABILITY	(II-i)	51.799		51.799	48.345		48.345
13.1 Current Tax Liability		51.799		51.799	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)		1.404.154	1.404.154		1.073.095	1.073.095
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.763.069		2.763.069	2.993.769		2.993.769
16.1 Paid-in Capital		652.290		652.290	652.290		652.290
16.2 Capital Reserves		277.321		277.321	279.387		279.387
16.2.1 Share Premium							
16.2.2 Share Cancellation Profits							
16.2.3 Marketable Securities Valuation Differences		(5.418)		(5.418)	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)		10.046		10.046	(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		2.059.737		2.059.737	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		(3.495)		(3.495)	(1.140)		(1.140)
16.4 Income or (Loss)		(226.279)		(226.279)	(55.925)		(55.925)
16.4.1 Prior Years' Income or (Loss)							
16.4.2 Current Year Income or (Loss)		(226.279)		(226.279)	(55.925)		(55.925)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15.021.446	17.847.689	32.869.135	18.340.735	15.480.753	33.821.488

The accompanying explanations and notes set out on pages 13 to 71 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 30 SEPTEMBER 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 (30/09/2015)			Prior Period (31/12/2014)		
			TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I-II+III)		28.647.858	73.379.332	102.027.190	51.852.984	66.964.609	118.817.593
I.	GUARANTEES AND WARRANTIES	(III-a-2,3)	754.397	2.260.020	3.014.417	713.213	2.352.616	3.065.829
1.1	Letters of Guarantee		754.397	741.273	1.495.670	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		19.275	4.450	23.725	45.775	3.721	49.496
1.1.3	Other Letters of Guarantee		735.122	736.823	1.471.945	667.438	542.690	1.210.128
1.2	Bank Acceptances		-	531.874	531.874	-	721.520	721.520
1.2.1	Import Letter of Acceptance		-	531.874	531.874	-	709.855	709.855
1.2.2	Other Bank Acceptances		-	-	-	-	11.665	11.665
1.3	Letters of Credit		-	615.804	615.804	-	686.323	686.323
1.3.1	Documentary Letters of Credit		-	213.637	213.637	-	355.433	355.433
1.3.2	Other Letters of Credit		-	402.167	402.167	-	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		-	371.069	371.069	-	398.362	398.362
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(III-a-1)	9.651.346	12.383.029	22.034.375	11.461.206	8.599.274	20.060.480
2.1	Irrevocable Commitments		9.651.346	12.383.029	22.034.375	11.461.206	8.599.274	20.060.480
2.1.1	Asset Purchase and Sale Commitments		2.003.155	12.360.764	14.363.919	2.597.293	7.420.577	10.017.870
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	1.175.103	1.175.103
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		525.991	-	525.991	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		555.507	-	555.507	557.693	-	557.693
2.1.8	Tax and Fund Liabilities from Export Commitments		4.804	-	4.804	5.614	-	5.614
2.1.9	Commitments for Credit Card Limits		5.508.406	-	5.508.406	6.364.770	-	6.364.770
2.1.10	Commitments for Credit Cards and Banking Services Promotions		20.187	-	20.187	19.022	-	19.022
2.1.11	Receivables From Short Sale Commitments of Marketable Securities		-	11.000	11.000	-	1.170	1.170
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	11.000	11.000	-	1.170	1.170
2.1.13	Other Irrevocable Commitments		1.033.296	265	1.033.561	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)	18.242.115	58.736.283	76.978.398	39.678.565	56.012.719	95.691.284
3.1	Hedging Derivative Financial Instruments		139.380	166.650	306.030	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		139.380	166.650	306.030	1.205.019	1.269.486	2.474.505
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		18.102.735	58.569.633	76.672.368	38.473.546	54.743.233	93.216.779
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3.651.545	7.952.944	11.604.489	2.642.266	4.008.854	6.651.120
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.916.642	3.857.577	5.774.219	1.788.700	1.528.250	3.316.950
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.734.903	4.095.367	5.830.270	853.566	2.480.604	3.334.170
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		9.284.947	42.632.320	51.917.267	34.514.898	48.362.765	82.877.663
3.2.2.1	Foreign Currency Swap-Buy		4.255.294	11.378.580	15.633.874	15.057.899	21.133.810	36.191.709
3.2.2.2	Foreign Currency Swap-Sell		5.029.653	9.828.526	14.858.179	19.456.999	16.277.779	35.734.778
3.2.2.3	Interest Rate Swap-Buy		-	10.712.607	10.712.607	-	5.475.588	5.475.588
3.2.2.4	Interest Rate Swap-Sell		-	10.712.607	10.712.607	-	5.475.588	5.475.588
3.2.3	Foreign Currency, Interest rate and Securities Options		5.166.243	7.575.764	12.742.007	1.316.382	2.017.034	3.333.416
3.2.3.1	Foreign Currency Options-Buy		2.581.169	3.789.860	6.371.029	658.191	1.008.517	1.666.708
3.2.3.2	Foreign Currency Options-Sell		2.585.074	3.785.904	6.370.978	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		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	408.605	408.605	-	354.580	354.580
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		39.994.284	90.109.290	130.103.574	45.429.138	80.657.748	126.086.886
IV.	ITEMS HELD IN CUSTODY		10.283.077	2.090.607	12.373.684	15.234.409	1.474.334	16.708.743
4.1	Customer Fund and Portfolio Balances		1.197.785	-	1.197.785	1.454.823	-	1.454.823
4.2	Investment Securities Held in Custody		5.532.545	1.767.509	7.300.054	10.301.954	1.215.352	11.517.306
4.3	Checks Received for Collection		2.130.092	252.643	2.382.735	2.050.960	202.000	2.252.962
4.4	Commercial Notes Received for Collection		120.401	-	120.401	80.463	-	80.463
4.5	Other Assets Received for Collection		-	7.426	7.426	-	8.598	8.598
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		1.302.254	63.029	1.365.283	1.346.209	48.382	1.394.591
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		12.291.205	16.125.018	28.416.223	12.516.539	14.638.204	27.154.743
5.1	Marketable Securities		804.796	14.899	819.695	509.646	10.108	519.754
5.2	Guarantee Notes		640.871	2.083.704	2.724.575	666.617	1.798.051	2.464.668
5.3	Commodity		240	6.654	6.894	240	5.123	5.363
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		8.554.287	3.145.782	11.700.069	8.676.245	2.771.856	11.448.101
5.6	Other Pledged Items		2.291.011	10.873.979	13.164.990	2.663.791	10.053.066	12.716.857
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		17.420.002	71.893.665	89.313.667	17.678.190	64.545.210	82.223.400
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		68.642.142	163.488.622	232.130.764	97.282.122	147.622.357	244.904.479

The accompanying explanations and notes set out on pages 13 to 71 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED
30 SEPTEMBER 2015 AND 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 - 30/09/2015)	Prior Period (01/01/2014 - 30/09/2014)	Current Period (01/07/2015 - 30/09/2015)	Prior Period (01/07/2014 - 30/09/2014)
I. INTEREST INCOME		1.851.690	1.928.516	576.756	609.309
1.1 Interest on Loans	(IV-a-1)	1.457.121	1.407.414	503.878	474.969
1.2 Interest Received from Reserve Requirements		5.453	-	2.417	-
1.3 Interest Received from Banks	(IV-a-2)	90.450	71.690	19.811	16.779
1.4 Interest Received from Money Market Transactions		196.396	335.756	12.395	89.165
1.5 Interest Received from Marketable Securities Portfolio	(IV-a-3)	94.131	76.494	35.764	15.394
1.5.1 Trading Financial Assets		67.336	11.906	28.455	3.194
1.5.2 Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1.5.3 Available-for-sale Financial Assets		26.795	64.588	7.309	12.200
1.5.4 Held to Maturity Investments		-	-	-	-
1.6 Financial Lease Income		-	-	-	-
1.7 Other Interest Income		8.139	37.162	2.491	13.002
II. INTEREST EXPENSE (-)	(IV-b)	971.444	1.034.567	320.771	319.908
2.1 Interest on Deposits (-)	(IV-b-4)	702.742	756.004	236.766	243.325
2.2 Interest on Funds Borrowed (-)	(IV-b-1)	205.636	241.235	61.216	72.171
2.3 Interest Expense on Money Market Transaction (-)		47.843	31.792	18.008	2.985
2.4 Interest on Securities Issued (-)	(IV-b-3)	-	-	-	-
2.5 Other Interest Expense (-)		15.223	5.536	4.781	1.427
III. NET INTEREST INCOME (I + II)		880.246	893.949	255.985	289.401
IV. NET FEES AND COMMISSIONS INCOME		367.128	482.287	118.211	165.501
4.1 Fees and Commissions Received		401.301	520.273	130.370	176.713
4.1.1 Non-cash Loans		11.377	15.222	3.826	4.737
4.1.2 Other		389.924	505.051	126.544	171.976
4.2 Fees and Commissions Paid (-)		34.173	37.986	12.159	11.212
4.2.1 Non-cash Loans (-)		419	420	142	132
4.2.2 Other (-)		33.754	37.566	12.017	11.080
V. DIVIDEND INCOME	(IV-c)	19.013	24.385	2.289	-
VI. TRADING INCOME/(LOSS) (Net)	(IV-d)	(3.090)	(142.047)	22.222	12.595
6.1 Trading Gains/(Losses) on Securities		(18.414)	10.218	(12.402)	3.992
6.2 Derivative Financial Transactions Gains/(Losses)		763.098	72.461	88.550	219.367
6.3 Foreign Exchange Gains/(Losses)		(747.774)	(224.726)	(53.926)	(210.764)
VII. OTHER OPERATING INCOME	(IV-e)	173.460	128.558	74.087	26.152
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.436.757	1.387.132	472.794	493.649
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	543.705	440.538	178.501	146.269
X. OTHER OPERATING EXPENSES (-)	(IV-g)	1.068.051	986.661	406.152	318.892
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		(174.999)	(40.067)	(111.859)	28.488
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)		(174.999)	(40.067)	(111.859)	28.488
XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-h)	(51.280)	(7.066)	(58.826)	(17.865)
16.1 Current Tax Provision	(IV-i)	(5.663)	(3.690)	(1.661)	(1.405)
16.2 Deferred Tax Provision		(45.617)	(3.376)	(57.165)	(16.460)
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(IV-j)	(226.279)	(47.133)	(170.685)	10.623
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)	(226.279)	(47.133)	(170.685)	10.623
Earnings/ Loss per Share (The amounts are expressed in full TL)		(0,00347)	(0,00072)	(0,00262)	0,00016

The accompanying explanations and notes set out on pages 13 to 71 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 30 SEPTEMBER 2015 AND 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 (30/09/2015)	Prior Period (30/09/2014)
I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(12.754)	32.463
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 Fair Value Differences)	10.688	12.266
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	(2.355)	1.031
IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES	-	(9.152)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(4.421)	36.608
XI. CURRENT YEAR PROFIT/LOSS	(226.279)	(47.133)
11.1 Net change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	(145)	(2.066)
11.2 Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	(318)	231
11.3 Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4 Other	(225.816)	(45.298)
XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	(230.700)	(10.525)

The accompanying explanations and notes set out on pages 13 to 71 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 CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																	
30 September 2014	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. 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 TAS 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												25.970					25.970
VI. Hedging Transactions Funds (Effective Parts)															9.813		9.813
6.1 Cash Flow Hedge															9.813		9.813
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									825								825
XIX. Current Year Income or Loss										(47.133)							(47.133)
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	271.750	(47.133)	-	(1.543)	-	-	9.813	-	3.004.334

The accompanying explanations and notes set out on pages 13 to 71 form an integral part of these financial statements.

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

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED AT 30 SEPTEMBER 2015

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
	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	
30 September 2015																		
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		-	-	-	-	-	-	-	-	-	-	(12.754)	-	-	-	-	(12.754)	
IV. Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	10.688	-	10.688	
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	10.688	-	10.688	
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		-	-	-	-	-	-	-	(2.355)	-	-	-	-	-	-	-	(2.355)	
XVII. Current Year Income or Loss		-	-	-	-	-	-	-	-	(226.279)	-	-	-	-	-	-	(226.279)	
XVIII. Profit Distribution		-	-	-	-	1.781	-	(57.706)	-	55.925	-	-	-	-	-	-	-	
18.1 Dividend Paid		-	-	-	-	1.781	-	(57.706)	-	55.925	-	-	-	-	-	-	-	
18.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at the end of the period (I+II+III+IV+V.....+XVIII)		652.290	-	-	-	181.738	-	1.881.494	269.198	(226.279)	-	(5.418)	-	-	10.046	-	2.763.069	

The accompanying explanations and notes set out on pages 13 to 71 form an integral part of these financial statements.

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

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

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

VI. STATEMENT OF CASH FLOWS		Note (Section Five VI)	Current Period (30/09/2015)	Prior Period (30/09/2014)
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities		52.755	149.575
1.1.1	Interest received		1.557.607	1.967.629
1.1.2	Interest paid		(901.669)	(910.939)
1.1.3	Dividend received		19.013	24.385
1.1.4	Fees and commissions received		398.282	520.273
1.1.5	Other income		173.460	128.558
1.1.6	Collections from previously written-off loans and other receivables		165.655	144.395
1.1.7	Payments to personnel and service suppliers		(423.520)	(446.819)
1.1.8	Taxes paid		(35.786)	(51.789)
1.1.9	Other		(900.287)	(1.226.118)
1.2	Changes in operating assets and liabilities		(5.792.690)	(714.780)
1.2.1	Net (increase)/decrease in trading securities		(1.047.616)	512.485
1.2.2	Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3	Net (increase)/decrease in banks		(7)	15.998
1.2.4	Net (increase)/decrease in loans		(3.040.444)	405.540
1.2.5	Net (increase)/decrease in other assets		(565.148)	451.558
1.2.6	Net increase/(decrease) in bank deposits		(177.149)	(552.050)
1.2.7	Net increase/(decrease) in other deposits		1.015.123	1.448.298
1.2.8	Net increase/(decrease) in funds borrowed		(2.371.673)	(1.357.612)
1.2.9	Net increase/(decrease) in payables		-	-
1.2.10	Net increase/(decrease) in other liabilities		394.224	(1.638.997)
I.	Net cash provided from banking operations		(5.739.935)	(565.205)
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities		271.953	1.723.677
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		(14.317)	(9.698)
2.4	Disposals of property and equipment		25.655	4.380
2.5	Cash paid for purchase of investments available-for-sale		(105.314)	(3.619.585)
2.6	Cash obtained from sale of investments available-for-sale		397.271	5.363.673
2.7	Cash paid for purchase of investment securities		-	-
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other		(31.342)	(15.093)
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		(5.185)	69.387
V.	Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		(5.473.167)	1.227.859
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		4.237.548	10.103.391

The accompanying explanations and notes set out on pages 13 to 71 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 30 SEPTEMBER 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.

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

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 30 September 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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

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

VI. EXPLANATIONS ON FEE AND COMMISSIONS INCOME AND EXPENSES

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

The Bank categorizes its financial assets as “Fair value through profit/loss”, “Available-for-sale”, 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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

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

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets available-for-sale:

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

c. Loans and receivables:

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

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

d. Investment securities held-to-maturity:

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognized in the income statement. As of 30 September 2015 and 31 December 2014, the Bank has no investment securities held-to-maturity.

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

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2015

(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 INSTRUMENTS

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

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

Securities subject to repurchase agreements are classified as “Financial assets at fair value difference through profit or loss” and “Available-for-sale securities” in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. As of 30 September 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 EUR 12.000 nominal government bonds as of 30 September 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 30 September 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 using the straight-line method. Regarding Article 4 of the “Communiqué on Principles and Procedure of Accounting Principles of Banks and Preservation of Documents” which was published by BRSA in the Official Gazette No. 26333 dated 1 November 2006, the Bank’s financial statements are prepared based on the Turkish Accounting Standards. Goodwill is tested annually or more frequently if the changes in environment indicates impairment, in line with “Turkish Accounting Standard for Impairment on Assets” (“TAS 36”). The Bank has used discounted cash flow method for the most recent impairment test and reevaluated assumptions and estimations considering current circumstances and projections of the personal banking department. Calculated goodwill impairment was reflected on the income statement as of September 2015 per the testing results (31 December 2014: None).

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

All property and equipment are measured in accordance with “Property, Plant and Equipment Standard” (“TAS 16”) at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment is carried at cost less accumulated depreciation and provision for value impairment. The costs of the property and equipment purchased before 31 December 2004 or subject to inflation indexation until 31 December 2004. Property and equipment 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 4,43% (31 December 2014: 3,77%).

As of 30 September 2015, actuarial loss amounted to TL 3.495 (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 fourth month after the closing of the accounting year to which they relate.

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

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XVIII. EXPLANATIONS ON TAXATION (Continued)

The tax applications for foreign branches:

Turkish Republic of Northern Cyprus

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

b. Deferred Tax Asset/Liability:

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

Based on its best projections and budget and within the framework of TAS 12’s relevant procedures, the Bank has limited its deferred tax assets with its deferred tax liabilities and has booked its deferred tax receivables of TL 55.672 as of September 2015. Aforementioned assesment will be reevaluated and reperfomed on every following reporting date.

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.

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 30 September 2015 and 31 December 2014.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 30 September 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 30 September 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 30 September 2015	Prior Period 30 September 2014
Net Profit/(Loss) for the Period	(226.279)	(47.133)
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	(0,00347)	(0,00072)

(*) Amounts are expressed in full TL.

XXVI. CASH AND CASH EQUIVALENTS

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

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XXVII. RELATED PARTIES

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

XXVIII. RECLASSIFICATIONS

There are no adjustments to the prior year financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 30 September 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 30 September 2015, the Bank’s capital adequacy ratio is 13,90% (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 Securitisations" 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 30 September 2015, unconsolidated capital adequacy ratio of the Bank is 13,90% (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:

	30 September 2015								
	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	4.321.232	-	1.961.124	4.228.464	5.630.085	15.029.884	1.470.764	1.146.707	9.022
Risk Classes									
Claims on sovereigns and central banks	3.536.289	-	-	598.369	-	-	145.153	-	-
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	6.411	-	1.956.972	1.894.420	-	170.747	13.458	-	-
Claims on corporate	132.075	-	-	-	-	13.587.680	-	-	-
Claims included in the regulatory retail portfolios	85.492	-	-	-	5.630.085	678.841	-	-	-
Claims secured by residential property	-	-	-	1.728.186	-	-	-	-	-
Past due loan	620	-	-	7.489	-	373.370	121.999	-	-
Higher risk categories decided by the Board	69.129	-	-	-	-	-	1.190.154	1.146.707	9.022
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	491.216	-	4.152	-	-	219.246	-	-	-

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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 30 September 2015	Prior Period 31 December 2014
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	2.102.481	1.897.210
Capital obligation for market risk (II)	145.011	90.866
Capital obligation for operational risk (III)	259.888	245.937
Shareholders' Equity	4.357.614	4.207.903
Shareholders' Equity / ((I+II+III)*12,5*100)	13,90	15,07
Core Capital/((I+II+III) *12,5*100)	8,63	10,24
Tier I Capital/((I+II+III) *12,5*100)	8,63	10,24

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

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

	Current Period	Prior Period
	30 September 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	2.109.646	2.335.925
Other Comprehensive Income according to TAS	-	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	2.761.936	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 (-)	8.913	-
Leasehold Improvements on Operational Leases (-)	14.967	18.345
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	33.383	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	57.263	133.951
Tier I capital	2.704.673	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 30 September 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	2.704.673	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)	1.358.143	1.072.643
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-	-
General Provisions	328.513	296.439
Tier II Capital before Deductions	1.686.656	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 (-)	28.043	11.950
Total Deductions from Tier II Capital	28.043	11.950
Total Tier II Capital	1.658.613	1.357.132
CAPITAL	4.363.286	4.216.950
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	139	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 (-)	135	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 (-)	5.398	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	4.357.614	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	-	-

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 448.945 (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:

		30 September 2015	31 December 2014
		Amount	Amount
(I)	Capital obligation for General Market Risk - Standard Method	30.723	28.186
(II)	Capital obligation for Specific Risk - Standard Method	3.073	1.383
	Capital obligation for Specific Risk in Securitisation Positions- Standard Method	-	-
(III)	Capital obligation for Currency Risk - Standard Method	41.407	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	378	54
(VII)	Capital obligation for Counterparty Credit Risk - Standard Method	69.430	30.621
(VIII)	Total Capital obligation for Market Risk for Banks Applying Risk Measurement	-	-
(IX)	Total Capital obligation for Market Risk (I+II+III+IV+V+VI+VII)	145.011	90.866
(X)	Amount Subject to Market Risk (12,5 x VIII) or (12,5 x VII)	1.812.638	1.135.825

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 - 30 September 2015	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	3,0300	3,3894
29 September 2015	3,0368	3,4113
28 September 2015	3,0510	3,4067
23 September 2015	3,0310	3,3872
22 September 2015	3,0274	3,3760
21 September 2015	2,9936	3,3675

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 September 2015, the Bank’s simple arithmetic average foreign exchange rates for USD is TL 3,0145 (December 2014: TL 2,2974) and exchange rates for Euro TL 3,3846 (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 - 30 September 2015	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	842.597	2.124.982	681.552	3.649.131
Banks	918.413	1.916.857	43.518	2.878.788
Financial Assets at Fair Value through Profit or Loss (Net)	181.398	94.362	21.453	297.213
Interbank Money Market Placements	315.191	-	-	315.191
Financial Assets Available-for-Sale (Net)	-	-	-	-
Loans (*)	5.353.906	4.503.139	71.718	9.928.763
Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)	-	-	-	-
Investments Held-to-Maturity (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	129.098	10.389	3.200	142.687
Total Assets	7.740.603	8.649.729	821.441	17.211.773
Liabilities				
Bank Deposits	218	106.608	40	106.866
Foreign Currency Deposits	2.942.280	6.439.993	1.097.221	10.479.494
Funds from Interbank Money Market	-	-	-	-
Borrowings	2.805.777	3.319.137	5.183	6.130.097
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	271.806	4.991	213	277.010
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	328.353	439.652	86.217	854.222
Total Liabilities	6.348.434	10.310.381	1.188.874	17.847.689
Net on Balance Sheet Position	1.392.169	(1.660.652)	(367.433)	(635.916)
Net Off-Balance Sheet Position	(1.555.917)	1.292.462	739.612	476.157
Financial Derivative Assets	9.126.765	13.775.814	1.629.647	24.532.226
Financial Derivative Liabilities	10.682.682	12.483.352	890.035	24.056.069
Non-cash Loans	529.127	1.678.868	52.025	2.260.020
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 30 September 2015, total loans amount consists foreign indexed loans amounting to TL 2.667.999 (31 December 2014: TL 1.951.429) and foreign factoring receivables amounting to TL 40.970 (31 December 2014: TL 15.793).

(**) As of 30 September 2015, other assets do not consist of prepaid expenses amounting to TL 1.078 (31 December 2014: TL 79).

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

As of 30 September 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 – 30 September 2015		Prior Period – 31 December 2014	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	(36.819)	(36.819)	(33.177)	(33.177)
Euro	(16.375)	(16.375)	(403)	(403)
Other	37.218	37.218	29.456	29.456
Total	(15.976)	(15.976)	(4.124)	(4.124)

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

As of 30 September 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 - 30 September 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	2.873.471	-	-	-	-	1.065.139	3.938.610
Banks	2.759.147	-	-	-	-	177.618	2.936.765
Financial Assets at Fair Value Through Profit or Loss (Net)	727.815	540.807	969.986	307.200	9.027	7.349	2.562.184
Interbank Money Market Placements	315.191	-	-	-	-	-	315.191
Financial Assets Available-for-Sale (Net)	33.221	-	101	174.536	139	4.225	212.222
Loans (*)	8.116.084	1.236.938	5.036.978	6.290.065	1.149.815	480.783	22.310.663
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	15.901	15.485	-	-	-	562.114	593.500
Total Assets	14.840.830	1.793.230	6.007.065	6.771.801	1.158.981	2.297.228	32.869.135
Liabilities							
Bank Deposits	218.390	-	-	-	-	40.530	258.920
Other deposits	13.479.159	2.048.209	270.369	4.777	-	3.802.171	19.604.685
Funds from Interbank Money Market	700.001	-	-	-	-	-	700.001
Miscellaneous Payables	-	-	-	-	-	668.850	668.850
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	778.133	4.541.635	1.463.908	203.056	-	7.327	6.994.059
Other Liabilities (**)	168.603	190.160	264.032	764.647	1.669	3.253.509	4.642.620
Total Liabilities	15.344.286	6.780.004	1.998.309	972.480	1.669	7.772.387	32.869.135
Balance Sheet Long Position	-	-	4.008.757	5.799.321	1.157.311	-	10.965.389
Balance Sheet Short Position	(503.456)	(4.986.774)	-	-	-	(5.475.159)	(10.965.389)
Off Balance Sheet Long Position	37.865	346.481	190.751	139.855	142	-	715.094
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(465.591)	(4.640.293)	4.199.508	5.939.176	1.157.453	(5.475.159)	715.094

(*) Loans consist of factoring transactions amounting to TL 254.168 (31 December 2014: TL 178.305).

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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 – 30 September 2015	Euro	US Dollar	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	0,22	-	2,46
Banks	-	0,14	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	4,80	6,51	-	9,41
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale (Net)	-	-	-	8,78
Loans	3,52	3,54	-	13,83
Liabilities				
Bank Deposits	-	0,01	-	9,88
Other Deposits	0,97	1,48	1,23	10,11
Funds From Interbank Money Market	-	-	-	7,50
Funds Borrowed	1,84	2,92	-	12,37

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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**

30 September 2015	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TRY	500	(286.648)	(6,58)%
2. TRY	(400)	288.366	6,62%
3. EUR	200	(86.971)	(2,00)%
4. EUR	(200)	4.762	0,11%
5. USD	200	(75.913)	(1,74)%
6. USD	(200)	47.149	1,08%
Total (of negative shocks)		340.277	7,81%
Total (of positive shocks)		(449.532)	(10,32)%

31 December 2014	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TRY	500	(317.579)	(7,55)%
2. TRY	(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 - 30 September 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	986.138	2.952.472	-	-	-	-	-	3.938.610
Banks	177.618	2.759.147	-	-	-	-	-	2.936.765
Financial Assets at Fair Value through Profit or Loss (Net)	7.349	671.507	274.995	1.041.966	496.215	70.152	-	2.562.184
Interbank Money Market Placements	-	315.191	-	-	-	-	-	315.191
Financial Assets Available-for-Sale (Net)	-	33.221	-	101	174.536	139	4.225	212.222
Loans (*)	-	5.350.218	2.804.094	6.012.017	6.489.486	1.174.065	480.783	22.310.663
Investments Held-to-maturity (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	123.547	-	10.573	195.664	-	263.716	593.500
Total Assets	1.171.105	12.205.303	3.079.089	7.064.657	7.355.901	1.244.356	748.724	32.869.135
Liabilities								
Bank Deposits	40.530	218.390	-	-	-	-	-	258.920
Other Deposits	3.802.171	13.479.159	2.048.209	270.369	4.777	-	-	19.604.685
Funds Borrowed	7.327	19.446	276.353	1.040.600	4.246.110	1.404.223	-	6.994.059
Funds from Interbank Money Market	-	700.001	-	-	-	-	-	700.001
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	527.140	81.960	58.507	1.243	-	-	668.850
Other Liabilities (***)	-	146.377	139.819	348.667	706.909	47.339	3.253.509	4.642.620
Total Liabilities	3.850.028	15.090.513	2.546.341	1.718.143	4.959.039	1.451.562	3.253.509	32.869.135
Net Liquidity Gap	(2.678.923)	(2.885.210)	532.748	5.346.514	2.396.862	(207.206)	(2.504.785)	-
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 30 September 2015, loans include the factoring receivables amounting to TL 254.168 (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- 30 September 2015	Balance	Financial Guarantees	Other/Physical Guarantees	Guarantees And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	4.280.118	-	-	-
Conditional and unconditional receivables from regional or local overnments	-	-	-	-
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	4.374.291	-	-	-
Conditional and unconditional receivables from Corporates	14.956.937	144.840	-	-
Conditional and unconditional retail receivables	11.905.338	97.710	-	-
Conditional and unconditional receivables secured by Mortgages	1.756.507	-	-	-
Past due receivables	503.478	620	-	-
Receivables defined in high risk category by BRSA	2.415.028	69.129	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisiation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	714.614	-	-	-
Total	40.906.311	312.299	-	-

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	-	-	-	-
Securitisiation 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 30 September 2015					
Operating Income	839.540	381.179	216.038	-	1.436.757
Other	-	-	-	-	-
Operating Income	839.540	381.179	216.038	-	1.436.757
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(385.894)	44.486	159.923	(12.527)	(194.012)
Income from Subsidiaries	19.013	-	-	-	19.013
Profit/(Loss) before Tax	(366.881)	44.486	159.923	(12.527)	(174.999)
Corporate Tax Provision (*)	-	-	-	(51.280)	(51.280)
Profit/(Loss) after Tax	(366.881)	44.486	159.923	(63.807)	(226.279)
Non-Controlling Interest	-	-	-	-	-
Net Profit/(Loss) for the Period	(366.881)	44.486	159.923	(63.807)	(226.279)
Segment Assets	8.524.250	14.675.007	9.634.855	-	32.834.112
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	8.524.250	14.675.007	9.669.608	270	32.869.135
Segment Liabilities	19.159.176	5.703.762	8.006.197	-	32.869.135
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	19.159.176	5.703.762	8.006.197	-	32.869.135
Other Segment Items	384.888	(7.291)	(5.238)	-	372.359
Capital Investment	-	-	-	-	-
Amortization	(32.111)	(7.291)	(2.416)	-	(41.818)
Impairment	-	-	(2.822)	-	(2.822)
Non-Cash Other Income-Expense (**)	416.999	-	-	-	416.999

(*) 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 31 December 2014					
Operating Income (**)	867.854	373.609	145.669	-	1.387.132
Other (**)	-	-	-	-	-
Operating Income (**)	867.854	373.609	145.669	-	1.387.132
Segment Net Profit (**)	-	-	-	-	-
Undistributed Cost (**)	-	-	-	-	-
Operating Profit/(Loss) (**)	(201.674)	70.637	90.970	-	(40.067)
Income from Subsidiaries	-	-	-	-	-
Profit/(Loss) before Tax (**)	(201.674)	70.637	90.970	-	(40.067)
Corporate Tax Provision (*) (**)	-	-	-	(7.066)	(7.066)
Profit/(Loss) after Tax (**)	(201.674)	70.637	90.970	(7.066)	(47.133)
Non-Controlling Interest	-	-	-	-	-
Net Profit/(Loss) for the Period (**)	(201.674)	70.637	90.970	(7.066)	(47.133)
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 (**)	(107.347)	(5.651)	(4.792)	-	(117.790)
Capital Investment	-	-	-	-	-
Amortization	(28.669)	(5.651)	(2.032)	-	(36.352)
Impairment	-	-	(2.760)	-	(2.760)
Non-Cash Other Income-Expense (***)	(78.678)	-	-	-	(78.678)

(*) Corporate tax provision is not distributed.

(**) Items of income and expense are the amounts for the three month period ended 30 September 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 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Cash/Foreign Currency	258.478	217.941	221.235	127.391
The CBRT	27.016	3.416.226	676.346	2.468.449
Other (*)	3.985	14.964	-	12.237
Total	289.479	3.649.131	897.581	2.608.077

(*) As of 30 September 2015, account of Precious Metal is amounting to TL 14.797, Money in Transit is amounting to TL 4.152 respectively (31 December 2014: Precious metal TL 12.237, Money in Transit: None).

2. Information related to balances with the CBRT:

	Current Period 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Unrestricted Demand Deposit	27.016	463.754	676.346	10
Unrestricted Time Deposit	-	-	-	-
Restricted Time Account	-	-	-	-
Reserve Requirements	-	2.952.472	-	2.468.439
Total	27.016	3.416.226	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 30 September 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 2015/05 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.

Based upon press announcement of Central Bank of the Republic of Turkey with number 2015/35 on 2 May 2015, it is adjudicated that interest will be given to Banks’ reserve deposit in USD, reserve options and unrestricted deposits within CBRT with daily determined interest rates.

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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:

	Current Period 30 September 2015	Prior Period 31 December 2014
Collateral/Blocked	82.047	22.166
Repurchase Agreement	545.999	269.808
Unrestricted	785.588	64.684
Total	1.413.634	356.658

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

	Current Period 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Forward Transactions	185.350	22.116	12.599	36.524
Swap Transactions	675.343	156.309	450.998	101.905
Futures Transactions	-	-	-	-
Options	-	109.432	-	16.256
Other	-	-	-	-
Total	860.693	287.857	463.597	154.685

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Banks				
Domestic	515	1.325.666	899.523	466.957
Foreign	57.462	1.553.122	84.749	391.535
Foreign Head Office and Branches	-	-	-	-
Total	57.977	2.878.788	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”.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

	Current Period 30 September 2015	Prior Period 31 December 2014
Collateral/Blocked	6.448	392.104
Repurchase Agreement	149.003	125.789
Unrestricted	56.771	12.356
Total	212.222	530.249

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

	Current Period 30 September 2015	Prior Period 31 December 2014
Debt Securities	213.324	527.324
Quoted to Stock Exchange	213.324	527.324
Not Quoted	-	-
Share Certificate	4.225	4.225
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.225	4.225
Impairment Provision (-)	5.327	1.300
Total	212.222	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 30 September 2015		Prior Period 31 December 2014	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	218.229	85	171.562
Corporate Shareholders	-	218.229	85	171.562
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	22.085	398.196	3.879	415.922
Loans Granted to Employees	23.348	-	26.518	-
Total	45.433	616.425	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	Loans and other receivables with revised contract terms	Loans and Other Receivables	Loans and other receivables with revised contract terms		
		Restructured or Rescheduled	Other	Restructured or Rescheduled	Other	
Non-specialised Loans	20.395.394	767.789	-	551.191	115.506	-
Commercial Loans	9.937.972	651.362	-	187.655	82.853	-
Export Loans	1.533.162	65.439	-	11.535	673	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	231.387	-	-	-	-	-
Consumer Loans	4.275.006	21.486	-	118.734	28.454	-
Credit Cards	3.136.843	-	-	195.245	-	-
Other (*)	1.281.024	29.502	-	38.022	3.526	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	20.395.394	767.789	-	551.191	115.506	-

(*) Includes the factoring receivables amounting to TL 254.168 (31 December 2014: TL 178.305).

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of Extensions		
Extended by 1 or 2 times	742.264	115.506
Extended by 3, 4 or 5 times	25.525	-
Extended by more than 5 times	-	-
Total	767.789	115.506

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended period of time		
0 – 6 Months	68.479	4.895
6 – 12 Months	257.798	7.286
1 – 2 Years	134.471	28.152
2 – 5 Years	254.925	55.802
5 years or more	52.116	19.371
Total	767.789	115.506

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	88.291	3.987.636	4.075.927
Mortgage Loans	360	1.291.303	1.291.663
Automotive Loans	181	6.696	6.877
Consumer Loans	87.750	2.689.637	2.777.387
Other	-	-	-
Consumer Loans- Indexed to FC	-	4.382	4.382
Mortgage Loans	-	4.342	4.342
Automotive Loans	-	-	-
Consumer Loans	-	40	40
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.233.780	66.986	3.300.766
Instalment	1.192.661	66.986	1.259.647
Non Instalment	2.041.119	-	2.041.119
Individual Credit Cards-FC	8.380	-	8.380
Instalment	-	-	-
Non Instalment	8.380	-	8.380
Personnel Loans-TL	1.214	14.829	16.043
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.214	14.829	16.043
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	7.277	-	7.277
Instalment	2.976	-	2.976
Non Instalment	4.301	-	4.301
Personnel Credit Cards-FC	28	-	28
Instalment	-	-	-
Non Instalment	28	-	28
Overdraft Account-TL (Individual)	347.328	-	347.328
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	3.686.298	4.073.833	7.760.131

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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	50.346	541.654	592.000
Mortgage Loans	-	5.290	5.290
Automotive Loans	78	3.765	3.843
Consumer Loans	50.268	532.599	582.867
Other	-	-	-
Commercial Instalment Loans- Indexed to FC	20.167	351.844	372.011
Mortgage Loans	-	11.292	11.292
Automotive Loans	71	13.096	13.167
Consumer Loans	20.096	327.456	347.552
Other	-	-	-
Commercial Instalment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	14.922	1	14.923
Instalment	4.025	1	4.026
Non Instalment	10.897	-	10.897
Corporate Credit Cards-FC	714	-	714
Instalment	-	-	-
Non Instalment	714	-	714
Overdraft Account-TL (Commercial)	50.774	-	50.774
Overdraft Account-FC (Commercial)	-	-	-
Total	136.923	893.499	1.030.422

6. Loans according to types of borrowers:

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

7. Domestic and foreign loans:

	Current Period 30 September 2015	Prior Period 31 December 2014
Domestic Loans	21.271.416	18.645.850
Foreign Loans	558.464	388.878
Total (*)	21.829.880	19.034.728

(*) Includes the factoring receivables amounting to TL 254.168 (31 December 2014: TL 178.305).

8. Loans granted to investments in associates and subsidiaries:

As of 30 September 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 30 September 2015	Prior Period 31 December 2014
Loans and Receivables with Limited Collectability	35.516	41.785
Loans and Receivables with Doubtful Collectability	151.274	143.213
Uncollectible Loans and Receivables	477.001	577.949
Total	663.791	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: 30 September 2015	2.578	3.103	16.631
(Gross Amounts Before Specific Provisions)	-	-	-
Restructured Loans and Other Receivables	2.578	3.103	16.631
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 (+)	540.084	1.965	11.171
Transfers from Other Categories of Non-Performing Loans (+)	2.892	566.305	434.131
Transfers to Other Categories of Non-Performing Loans (-)	565.889	434.678	2.761
Collections (-)	38.299	62.380	64.976
Write-offs (-) (*)	22	29.253	454.276
Corporate and Commercial Loans	-	-	32.426
Retail Loans	2	9.637	119.566
Credit Cards	20	19.616	302.284
Other	-	-	-
Balance at the End of the Period: 30 September 2015	200.183	352.979	591.412
Specific Provisions (-)	35.516	151.274	477.001
Net Balance in Balance Sheet	164.667	201.705	114.411

(*) The Bank has concluded the sale of non-performing consumer loans and credit cards amounting to TL 450.714 for TL 57.200 in 2015.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	III. Group	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: 30 September 2015			
Balance at the End of the Period	-	-	352
Specific Provisions (-)	-	-	118
Net Balance on Balance Sheet	-	-	234
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): 30 September 2015			
Loans granted to corporate entities and real persons (Gross)	200.183	352.979	591.412
Specific Provisions Amount (-)	35.516	151.274	477.001
Loans granted to corporate entities and real persons (Net)	164.667	201.705	114.411
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.

f. Investments Held-to-maturity:

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

As of 30 September 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 30 September 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 30 September 2015 and 31 December 2014, the Bank has no investments held to maturity.

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

As of 30 September 2015 and 31 December 2014, the Bank has no investments of held to maturity movement.

g. Information on associates (Net):

The Bank has no associates as of 30 September 2015 and 31 December 2014.

h. Information on subsidiaries (Net):

1. Information on unconsolidated/subsidiaries:

a) Unconsolidated subsidiaries:

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
1	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.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	99,87	0,13

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
1	100.641	86.616	1.994	5.374	1.521	17.323	16.879	-

(*) Prepared with the unaudited financial statements as of 30 September 2015.

(**) The prior period balances represent the amounts as of 30 September 2014.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

3. Movement schedule of the consolidated subsidiaries:

	Current Period 30 September 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 30 September 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 30 September 2015 and 31 December 2014.

i. Information on jointly controlled entities:

- The Bank has no jointly controlled entities as of 30 September 2015 and 31 December 2014.
- As of 30 September 2015 and 31 December 2014, the accounting method is not determined since the Bank has no jointly controlled entities.

j. Information on finance lease(Net):

As of 30 September 2015 and 31 December 2014, the Bank has no finance lease.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

k. Information on hedging derivative financial assets:

	Current Period 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	31.386	-	36.299	-
Foreign Net Investment Hedge	-	-	-	-
Total	31.386	-	36.299	-

l. Explanations on property and equipment:

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

m. Information on intangible assets:

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

n. Information on the investment properties:

As of 30 September 2015 and 31 December 2014, the Bank has no investment properties.

o. Information on deferred tax asset:

The Bank’s deferred tax assets as of 30 September 2015 are explained in Note XVIII of Section Three.

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

As of 30 September 2015, assets held for resale of the Bank is TL 3.078 (31 December 2014: TL 3.179).

q. Information on other assets:

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

Subsidiaries	Current Period 30 September 2015	Prior Period 31 December 2014
Debited Suspence Accounts	149.243	106.066
Miscellaneous Receivables	134.898	7.661
Prepaid expenses	65.106	61.563
Other Rediscount Income	16.956	18.420
Other Assets	453	678
Total	366.656	194.388

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

As of 30 September 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 - 30 September 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	554.495	-	2.046.514	4.211.708	128.221	59.658	47.655	-	7.048.251
Foreign Currency Deposits	2.272.898	-	2.596.476	4.808.372	310.331	114.072	89.801	-	10.191.950
Residents in Turkey	1.895.784	-	2.481.026	4.189.087	250.975	83.167	30.662	-	8.930.701
Residents Abroad	377.114	-	115.450	619.285	59.356	30.905	59.139	-	1.261.249
Public Sector Deposits	308.845	-	-	-	-	-	-	-	308.845
Commercial Deposits	390.101	-	767.807	541.466	3.781	18.671	2.246	-	1.724.072
Other Institutions Deposits	26.731	-	6.690	10.321	158	79	72	-	44.051
Precious Metal Deposit	249.101	-	-	31.552	1.877	4.852	162	-	287.544
Bank Deposits	40.530	-	218.362	-	-	-	-	-	258.892
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	723	-	112.309	-	-	-	-	-	113.032
Foreign Banks	39.807	-	106.053	-	-	-	-	-	145.860
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.842.701	-	5.635.849	9.603.419	444.368	197.332	139.936	-	19.863.605

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 30 September 2015	Prior Period 31 December 2014	Current Period 30 September 2015	Prior Period 31 December 2014
Saving Deposits	3.883.361	4.472.125	3.026.576	3.786.609
Foreign Currency Saving Deposits	1.812.233	1.606.622	5.166.731	3.571.243
Other Deposits in the Form of Saving Deposits	11.519	25.023	55.474	73.422
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	185.787	212.923	197.321	254.987
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	5.892.900	6.316.693	8.446.102	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 30 September 2015	Prior Period 31 December 2014
Foreign Branches’ Deposits and other accounts	197.321	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	11.579	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 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Forward Transactions	1.308	228.815	27.810	52.347
Swap Transactions	7.975	411.506	51.005	355.624
Future Transactions	-	-	-	-
Options	-	110.039	-	16.854
Other	-	-	-	-
Total	9.283	750.360	78.815	424.825

c. Information on repurchase agreements:

As of 30 September 2015, the Bank has repurchase agreements amounting to TL 700.001 (31 December 2014: TL 395.596).

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	8.760	3.030	7.570	279
Foreign Banks, Institutions and Funds	855.202	4.722.913	2.505.264	5.695.853
Total	863.962	4.725.943	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 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Short-term	8.760	36.499	1.159.873	2.806.927
Medium and Long-term	855.202	4.689.444	1.352.961	2.889.205
Total	863.962	4.725.943	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 30 September 2015	Prior Period 31 December 2014
Less Than 1 Year	41.672	22.899
Between 1- 4 Years	17.454	24.750
More Than 4 Years	3.537	4.345
Total	62.663	51.994

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

g. Information on derivative financial liabilities for hedging purposes:

	Current Period 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	-	8.615	-
Hedge of net investment in foreign operations	-	-	-	-
Total	-	-	8.615	-

h. Information on provisions:

1. Information on general provisions:

	Current Period 30 September 2015	Prior Period 31 December 2014
General Provisions	448.945	362.405
Provisions for First Group Loans and Receivables	318.989	266.320
- Additional Provision for Loans and Receivables with Extended Maturities	21.933	18.644
Provisions for Second Group Loans and Receivables	30.302	21.173
- Additional Provision for Loans and Receivables with Extended Maturities	6.205	3.084
Provisions for Non-Cash Loans	33.835	34.833
Other	37.681	18.351

2. Information on employee benefit provisions:

As of 30 September 2015 the Bank has employee termination benefit provision amounting to TL 33.044 (31 December 2014: TL 28.384), and unused vacation provision amounting to TL 8.451 (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 legislation.

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 30 September 2015 is TL 3.828,37 (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 July 2015, TL 3.828,37 (full TL) (31 December 2014: TL 3.438,22 (full TL)).

	Current Period 30 September 2015	Prior Period 31 December 2014
Balances at End of Prior Period	28.384	25.551
Provision booked in current period	8.718	12.145
Provision paid in current period (-)	4.058	9.312
Balances at End of the Period	33.044	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 30 September 2015, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 722 (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 30 September 2015, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 214 (31 December 2014: TL 406).

5. Information on other provisions:

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

As of 30 September 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 30 September 2015, Bank’s other provisions does not exceed 10% of all 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 30 September 2015	Prior Period 31 December 2014
Corporate Taxes Payable	3.122	-
Taxation on Marketable Securities	15.171	14.879
Capital Gains Tax on Property	954	1.324
Banking Insurance Transaction Tax (BITT)	12.438	13.511
Foreign Exchange Transaction Tax	15	9
Value Added Tax Payable	1.651	1.310
Other (*)	10.140	9.625
Total	43.491	40.658

(*) As of 30 September 2015, consists of payroll tax amounting to TL 9.210 (31 December 2014: TL 8.846), self-employed income tax amounting to TL 3 (31 December 2014: TL 18), stamp tax amounting to TL 254 (31 December 2014: TL 275) and other taxes amounting to TL 673 (31 December 2014: TL 486).

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

1(ii). Information on premium payables:

	Current Period 30 September 2015	Prior Period 31 December 2014
Social Security Premiums – Employee	3.530	3.407
Social Security Premiums – Employer	3.938	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	268	201
Unemployment Insurance – Employer	572	468
Other	-	-
Total	8.308	7.687

2. Information on deferred tax liability:

Information on the Bank’s deferred tax liability as of 30 September 2015 is explained in Note XVIII of Section Three.

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

As of 30 September 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 30 September 2015	Prior Period 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 30 September 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 30 September 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Valuation Difference From Investments in Associates, Subsidiaries, and Jointly Controlled Entities	(5.418)	-	7.336	-
Translation Difference	-	-	-	-
Total	(5.418)	-	7.336	-

9. Information on revaluation value increase fund:

As of 30 September 2015 and 31 December 2014, the Bank has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period 30 September 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 30 September 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:

	Current Period 30 September 2015	Previous Period 31 December 2014
Asset Purchase and Sale Commitments	14.363.919	10.017.870
Commitments for Credit Card Limits	5.508.406	6.364.770
Commitments for Cheques	555.507	557.693
Loan Granting Commitments	525.991	840.263
Short Sale Commitments	22.000	2.340
Commitments for Credit Cards and Banking Services Promotions	20.187	19.022
Tax and Fund Liabilities from Export Commitments	4.804	5.614
Deposit Purchase and Sales Commitments	-	1.175.103
Other Irrevocable Commitments	1.033.561	1.077.805
Total	22.034.375	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:

	Current Period 30 September 2015	Previous Period 31 December 2014
Letters of Guarantee	1.495.670	1.259.624
Letters of Credit	615.804	686.323
Bank Acceptances	531.874	721.520
Other Guarantees	371.069	398.362
Total	3.014.417	3.065.829

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

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

3. Information on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 30 September 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	3.014.417	3.065.829
Total	3.014.417	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”.

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

b. Explanations on derivative transactions:

	Current Period 30 September 2015	Previous Period 31 December 2014
Foreign Currency Swap Transactions	30.798.083	74.400.992
Interest Rate Swap Transactions	21.425.214	10.951.176
Foreign Currency Options Transactions	12.742.007	3.333.416
Forward Foreign Currency Transactions	11.604.489	6.651.120
Precious Metals Swap Transactions	353.403	289.856
Precious Metals Options Transactions	55.202	64.724
Total	76.978.398	95.691.284

1. Cash Flow Hedge Accounting:

The Bank applies cash flow hedge accounting by cross currency swap transactions in order to hedge itself from the changes in the interest rates of the fixed-rate time deposits which have maturity of 1-3 month. The Bank applies effectiveness test in any balance sheet date. While the effective portions are accounted under hedging reserves in shareholders' equity as described in TAS 39, the ineffective portion is recognized at income statement. As of 30 September 2015, swaps amounting to TL 306.030 (31 December 2014: TL 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 10.688 (31 December 2014: TL 803 loss) are recognized under shareholders' equity in the current period. As of 30 September 2015, the Bank has ineffective portion amounting to TL 318 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 30 September 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 30 September 2015, the total amount of these lawsuits filed against the Bank is TL 31.427 (31 December 2014: TL 29.752). A total provision of TL 15.920 (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 4.057 (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 acts 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		Prior Period	
	30 September 2015		30 September 2014	
	TL	FC	TL	FC
Short-term Loans	715.045	36.705	663.246	35.307
Medium and Long-Term Loans	546.095	140.128	582.385	110.472
Interest on Loans Under Follow-Up	19.147	1	15.997	7
Total	1.280.287	176.834	1.261.628	145.786

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

2. Information on interest income received from banks:

	Current Period		Prior Period	
	30 September 2015		30 September 2014	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	88.402	831	63.267	7.278
From Foreign Banks	750	467	633	512
Headquarters and Branches Abroad	-	-	-	-
Total	89.152	1.298	63.900	7.790

3. Information on interest income on marketable securities:

	Current Period		Prior Period	
	30 September 2015		30 September 2014	
	TL	FC	TL	FC
Financial Assets Held For Trading	66.859	477	11.614	292
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	26.795	-	64.588	-
Investments Held to Maturity	-	-	-	-
Total	93.654	477	76.202	292

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

As of 30 September 2015 and 30 September 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 30 September 2015		Prior Period 30 September 2014	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	640	30	810	48
Foreign Banks	107.643	97.323	140.041	100.336
Headquarters and Branches				
Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	108.283	97.353	140.851	100.384

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

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

	Current Period 30 September 2015	Prior Period 30 September 2014
Interest Expenses Given to Subsidiaries and Associates	2.448	2.075

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: 30 September 2015	Demand Deposit	Time Deposit					More Than 1 year	Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year				
Turkish Lira									
Interbank deposits	-	4.504	-	-	-	-	-	4.504	
Saving deposits	-	219.335	287.894	19.228	5.807	4.077	-	536.341	
Public sector deposits	-	-	-	-	-	-	-	-	
Commercial deposits	-	68.634	22.892	2.134	899	176	-	94.735	
Other deposits	-	273	699	9	4	4	-	989	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Total	-	292.746	311.485	21.371	6.710	4.257	-	636.569	
Foreign Currency									
Foreign currency deposits	-	16.378	44.744	2.391	1.044	1.247	-	65.804	
Interbank deposits	-	9	-	-	-	-	-	9	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	325	15	20	-	-	360	
Total	-	16.387	45.069	2.406	1.064	1.247	-	66.173	
Grand Total	-	309.133	356.554	23.777	7.774	5.504	-	702.742	

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Current Period: 30 September 2014	Demand Deposit	Time Deposit					More Than 1 year	Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year				
Turkish Lira									
Interbank deposits	-	1.196	-	-	4.870	-	-	6.066	
Saving deposits	-	109.272	356.933	42.206	13.918	4.361	-	526.690	
Public sector deposits	-	2	-	-	-	-	-	2	
Commercial deposits	-	106.843	31.601	5.195	1.262	614	-	145.515	
Other deposits	-	1.124	3.064	477	7	3	-	4.675	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Total	-	218.437	391.598	47.878	20.057	4.978	-	682.948	
Foreign Currency									
Foreign currency deposits	-	14.102	49.266	4.742	1.517	2.741	-	72.368	
Interbank deposits	-	344	-	-	-	-	-	344	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	309	15	20	-	-	344	
Total	-	14.446	49.575	4.757	1.537	2.741	-	73.056	
Grand Total	-	232.883	441.173	52.635	21.594	7.719	-	756.004	

5. Information on interest given on repurchase agreement:

The Bank has interest given on repurchase agreement amounting to TL 47.698 during the six month period ended on 30 September 2015 (30 September 2014: TL 31.792)

6. Information on finance lease expense:

The Bank has no finance lease expense during the six month period ended on 30 September 2015 and 30 September 2014.

7. Information on interest given on factoring payables:

The Bank has no interest given on factoring payables during the six month period ended on 30 September 2015 and 2014.

c. Explanations on dividend income:

As of 30 September 2015, the share of the Bank in the dividend distribution of its subsidiaries is TL 19.013 (30 September 2014: TL 24.385).

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

	Current Period 30 September 2015	Prior Period 30 September 2014
Profit	61.660.578	47.270.320
Capital Market Transactions Income	29.961	24.390
Gain on Derivative Financial Transactions	6.063.605	8.176.767
Foreign Exchange Gains	55.567.012	39.069.163
Loss (-)	61.663.668	47.412.367
Capital Market Transactions Loss	48.375	14.172
Loss on Derivative Financial Transactions	5.300.507	8.104.306
Foreign Exchange Loss	56.314.786	39.293.889
Total (Net)	(3.090)	(142.047)

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

2. Information on derivative instruments gain/loss:

	Current Period 30 September 2015	Prior Period 30 September 2014
Effect of the change in exchange rates on profit/loss	388.184	183.736
Effect of the change in interest rates on profit/loss	374.914	(111.275)
Total (Net)	763.098	72.461

e. Information on other operating income:

As of 30 September 2015, other operating income consists of reversal of the previous year provision amounting to TL 72.891 (30 September 2014: TL 49.448), loans under follow-up sales income amounting to TL 60.578 (30 September 2014: TL 27.896), provision for telecommunication expense amounting to TL 1.657 (30 September 2014: TL 1.677), gain on sale of assets amounting to TL 17.831 (30 September 2014: TL 1.150) and other income amounting to TL 20.503 (30 September 2014: TL 48.387).

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

	Current Period 30 September 2015	Prior Period 30 September 2014
Specific Provisions for Loans and Other Receivables	444.317	406.296
III. Group Loans and Receivables	16.309	38.674
IV. Group Loans and Receivables	72.681	139.229
V. Group Loans and Receivables	355.327	228.393
General Provision Expenses	86.540	27.532
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	2.822	2.760
Financial Assets at Fair Value Through Profit or Loss	932	79
Available-for-sale Financial Assets	1.890	2.681
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	10.026	3.950
Total	543.705	440.538

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g. Information related to other operating expenses:

	Current Period 30 September 2015	Prior Period 30 September 2014
Personnel Expenses	432.464	447.961
Reserve for Employee Termination Benefits	7.789	9.089
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	27.658	27.277
Impairment Expenses of Intangible Assets	83.450	-
Goodwill Impairment Expenses	83.450	-
Amortization Expenses of Intangible Assets	14.108	8.986
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	52	89
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	297.927	304.641
Operational Lease Expenses	120.293	101.576
Communication Expenses	25.623	34.279
Advertisement Expenses	25.477	27.434
Maintenance Expenses	21.608	34.186
Maintenance License Expenses	19.679	19.996
Banking Services Promotion Expenses	16.729	17.898
Shipping Expenses	11.189	9.431
Cleaning Expenses	9.924	9.944
Building Expenses	9.805	9.301
Monthly Payment Expenses	6.152	9.717
Insurance Expenses	5.798	5.596
Other Expenses	25.650	25.283
Tax, Duties, Charges and Funds Expenses	39.449	33.578
Saving Deposit Insurance Fund Expenses	38.067	48.507
Cancellation Fee Expenses	15.598	4.570
Audit and Consultancy Fee	11.843	11.062
Transportation Expenses	3.191	1.615
Loss on Sales of Assets	742	324
Other	95.713	88.962
Total	1.068.051	986.661

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

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

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

As of 30 September 2015, the Bank has corporate tax provision expense amounting to TL 5.663 (30 September 2014: TL 3.690 expense) and deferred tax expense amounting to TL 45.617 (30 September 2014: TL 3.376 expense).

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

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 880.246 (30 September 2014: TL 893.949), net wage and commission income amounting to TL 367.128 (30 September 2014: TL 482.287) have an important role among the income items in the interim accounting period ending on 30 September 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:

	Current Period 30 September 2015	Prior Period 30 September 2014
Credit Card Transactions	241.969	336.778
Insurance Commissions	56.084	59.205
Commissions Received from Banking Transactions	48.763	87.158
Tefas Fund Platform	9.873	-
Other Fee and Commissions	33.235	21.910
Total	389.924	505.051

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”.

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

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”.

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 – 30 September 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	-	168	22.085	616.425	-	-
Interest and Commissions Income	-	2	579	21	-	-

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(*)	-	1	142	412	-	-

(*) The prior period balances present amounts of 30 September 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 30 September 2015	Prior Period 31 December 2014	Current Period 30 September 2015	Prior Period 31 December 2014	Current Period 30 September 2015	Prior Period 31 December 2014
Deposit						
Opening Balance	30.974	33.046	37.517	50.715	6.227	376
Closing Balance	35.672	30.974	39.557	37.517	9.994	6.227
Interest expense on deposits (*)	2.448	2.075	-	-	512	305

(*) The prior period balances present amounts of 30 September 2014.

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

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
	30 September 2015	31 December 2014	30 September 2015	31 December 2014	30 September 2015	31 December 2014
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	82.048.760	88.076.697	-	-
Closing Balance	-	-	54.479.575	82.048.760	-	-
Total Profit/Loss(*)	-	-	544.270	123.117	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	2.474.505	-	-	-
Closing Balance	-	-	306.030	2.474.505	-	-
Total Profit/Loss	-	-	318	289	-	-

(*) The prior period balances present amounts of 30 September 2014.

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

As of 30 September 2015, payment is made to top executives of the Bank amounting to TL 44.437 (30 September 2014: TL 50.891).

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

None.

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SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE BANK’S OPERATIONS

An announcement was placed on Public Disclosure Platform on 9 June 2015 stating that HSBC Bank PLC, main shareholder of HSBC Bank A.Ş., has decided to sell its shares and that throughout this process Bank's customers and employees have priority and customers will have uninterrupted service. More details will be provided in later announcements.

HSBC Group CEO Stuart Gulliver has stated on 2 November 2015 that there is no progress regarding the sale of the Turkey office and that he expects the process to last longer.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 30 September 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 11 November 2015 is presented before to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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