

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
AND REVIEW REPORT
AT 30 JUNE 2016,
SEE NOTE I OF SECTION THREE**

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH REVIEW REPORT
AT 30 JUNE 2016**



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

Introduction

We have reviewed the unconsolidated balance sheet of HSBC Bank A.Ş. ("the Bank") at 30 June 2016 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 six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Accounting and Reporting Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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



Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of HSBC Bank A.Ş. at 30 June 2016 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

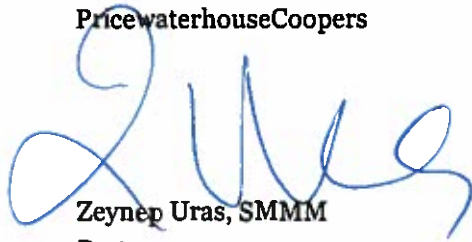
Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim report in Section Seven, is not consistent with the unconsolidated financial statements and disclosures in all material respects.

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying 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, 12 August 2016

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

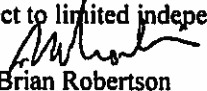
**UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S.
AS OF AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016**

Address of Bank's Headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli
34394, İstanbul
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The unconsolidated financial report for the six month period prepared in accordance with Communiqué on the Financial Statements and the Related Disclosures and Footnotes to be Publicly Announced as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT


The unconsolidated financial statements for the six month period and related explanations and footnotes in this report are prepared in accordance with the Regulation on Banks' Accounting Applications and Principles and Procedures Concerning the Preservation of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and annexes interpretations thereof and are denominated as TL thousand unless otherwise specified, are held to subject to limited independent review and are presented enclosed.



Brian Robertson
Chairman


Süleyman Selim Kervancı
General
Manager


Burçin Ozan
Financial Reporting
Assistant General
Manager


Yerliozan Kılıç
Group Head


Ian Simon Jenkins
Head of
Audit Comitee.


Lütfiye Yeşim Uçtum
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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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

(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 June 2016, 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 June 2016 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..

On 22 February 2016 HSBC Group announced that the process to sell HSBC Turkey had concluded with a decision to retain the business. In line with this decision, Bank took several important steps in the first half of 2016 to enhance its wholesale and premium positioning, and strategic actions to re-focus the branch network. These initiatives will provide the Bank a strong foundation for long-term profitability

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HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

(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
Deputy Chairman of the Board:	Hamit AYDOĞAN (*)	Deputy Chairman	Undergraduate
Board of Directors (**):	James Alasdair EMMETT Paul HAGEN David Anthony HARNETT (***) Mehmet Gani SÖNMEZ Ian Simon JENKINS Edward Michael FLANDERS Lütfiye Yeşim UÇTUM	Member and CEO Member Member Member Member Member Member	Graduate Graduate Undergraduate Undergraduate Graduate Undergraduate Undergraduate
CEO:	James Alasdair EMMETT(****)	CEO	Graduate
Head of Internal Audit:	Umut PASIN	Head of Internal Audit	Undergraduate
Deputy CEO:	Necdet Murat ŞARSEL Rüçhan ÇANDAR	Credit and Risk Operations Service and Technology	Graduate Graduate
Executive Vice Presidents:	Necdet Murat ŞARSEL Sait Burak ZEYLAN Hulusi HOROZOĞLU Ayşe YENEL (*****) Ali Batu KARAALİ Burçin OZAN Ali Dündar PARLAR Rüçhan ÇANDAR Şengül DEMİRCAN	Credit and Risk Commercial Banking Corporate Investment Banking Retail Banking Treasury and Capital Markets Finance Internal Systems and Regulations Technology and Services Human Resources	Graduate Undergraduate Graduate Undergraduate Graduate Undergraduate Undergraduate Graduate Undergraduate
Audit Committee:	Ian Simon JENKINS Lütfiye Yeşim UÇTUM Paul HAGEN	Head of the Audit Committee Member of the Audit Committee Member of the Audit Committee	Graduate Undergraduate Graduate

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

- (*) Per the Board Decision no.13572 dated 4 May 2016, Hamit AYDOĞAN is appointed as Deputy Chairman of the Board as of 1 June 2016 to replace Martin David SPURLING following his resignation as Deputy Chairman of the Board on 31 May 2016.
- (**) Per the Board Decision no.13583 dated 17 May 2016, Süleyman Selim KERVANCI is appointed as Member of the Board of Directors as of 1 July 2016.
- (***) Per the Board Decision no.13572 dated 4 May 2016, David Anthony HARNETT is appointed as Member of the Board of Directors as of 1 June 2016 to replace Martin David SPURLING following his resignation as Member of the Board of Directors on 31 May 2016.
- (****) Per the Board Decision no.13583 dated 17 May 2016, Süleyman Selim KERVANCI is appointed as Chief Executive Officer as of 1 July 2016 to replace James Alasdair EMMETT following his resignation as Chief Executive Officer on 30 June 2016 provided that his duties as Member of the Board of Directors shall continue.
- (*****) Per the Board Decision no.13553 dated 15 April 2016, Ayşe YENEL is appointed as Interim Executive Vice President as of 1 May 2016 to replace Taylan TURAN.

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HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

(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 order transmissons brokerage, transactions brokerage, portfolios brokerage, restricted custody and general custody activities in accordance with Capital Markets regulations,
- To invest in both local or foreign companies as founder partner or shareholder, to perform management and auditing process to purchase equities, bonds and other securities,
- To perform factoring and forfeiting activities,
- To establish social and cultural facilities or to help or participate facilities in the existing.

In addition to regular banking operations in accordance to the articles of association, the Bank also provides insurance intermediary services as an agency of Axa Sigorta, Zurich Sigorta, 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 June 2016, the Bank has 187 branches dispersed throughout the country and 4 branches operating abroad (31 December 2015: 280 branches and 4 branches operating abroad).

As of 30 June 2016, the number of employees of the Bank is 4.159 (31 December 2015: 4.997).

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
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TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016
(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
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**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2016 AND 31 DECEMBER 2015
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five I)	Current Period (30.06.2016)			Prior Period (31.12.2015)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
I. CASH BALANCES WITH CENTRAL BANK	(I-a)	359.830	2.824.609	3.184.439	332.498	3.061.976	3.394.474
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	803.999	578.882	1.382.881	1.341.937	301.539	1.643.476
2.1 Trading Financial Assets		803.999	578.882	1.382.881	1.341.937	301.539	1.643.476
2.1.1 Government Debt Securities		700.437	15.791	716.228	968.336	18.524	986.860
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		93.137	563.091	656.228	368.419	283.015	651.434
2.1.4 Other Marketable Securities		10.425	-	10.425	5.182	-	5.182
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)	48.450	1.495.291	1.543.741	58.395	437.363	495.758
IV. MONEY MARKETS			2.309.755	2.309.755	2.490.732	1.388.808	3.879.540
4.1 Interbank Money Market Placements		-	-	-	-	226.495	226.495
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	2.309.755	2.309.755	2.490.732	1.162.313	3.653.045
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	1.121.691	2.102	1.123.793	628.707	25.410	654.117
5.1 Share Certificates		4.225	2.102	6.327	4.225	25.410	29.635
5.2 Government Debt Securities		1.117.466	-	1.117.466	624.482	-	624.482
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(I-e)	12.546.790	5.208.551	17.755.341	14.006.867	6.484.532	20.491.399
6.1 Loans		12.077.063	5.208.533	17.285.596	13.547.999	6.484.317	20.032.316
6.1.1 Bank's Risk Group	(VII)	-	85.214	85.214	-	20.399	20.399
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		12.077.063	5.123.319	17.200.382	13.547.999	6.463.918	20.011.917
6.2 Non Performing Loans		1.215.631	99	1.215.730	1.244.695	330	1.245.025
6.3 Specific Provisions (-)		745.904	81	745.985	785.827	115	785.942
VII. FACTORING RECEIVABLES		380.894	27.232	408.126	536.832	47.236	584.068
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)	14.387		14.387	20.666		20.666
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		14.387	-	14.387	20.666	-	20.666
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	70.437		70.437	87.564		87.564
XV. INTANGIBLE ASSETS (Net)	(I-m)	28.187		28.187	33.775		33.775
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		28.187	-	28.187	33.775	-	33.775
XVI. INVESTMENT PROPERTY (Net)	(I-n)						
XVII. TAX ASSET							
17.1 Current Tax Asset		-	-	-	23.527	-	23.527
17.2 Deferred Tax Asset		-	-	-	-	-	-
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	3.016		3.016	3.444		3.444
18.1 Held for sale Purposes		3.016	-	3.016	3.444	-	3.444
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	187.028	198.023	385.051	163.175	137.387	300.562
TOTAL ASSETS		15.599.732	12.644.445	28.244.177	19.763.142	11.884.251	31.647.393

The accompanying explanations and notes set out on pages 13 to 78 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2016 AND 31 DECEMBER 2015
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Current Period (30.06.2016)			Prior Period (31.12.2015)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES					
I. DEPOSITS	(II-a)	7.636.125	9.355.714	16.991.839	8.824.217	10.232.142	19.056.359
I.1 Deposits of Bank's risk group	(VII)	92.907	4.900	97.807	94.815	3.851	98.666
I.2 Other		7.543.218	9.350.814	16.894.032	8.729.402	10.228.291	18.957.693
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	343.045	277.843	620.888	99.919	257.249	357.168
III. BORROWINGS	(II-d)	416.475	3.666.191	4.082.666	622.385	4.729.208	5.351.593
IV. MONEY MARKETS		847.057	-	847.057	790.709	-	790.709
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)	847.057	-	847.057	790.709	-	790.709
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		387.094	3.458	390.552	403.667	251.552	655.219
VIII. OTHER LIABILITIES	(II-e)	323.702	91.787	415.489	391.624	80.156	471.780
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)	39.134	-	39.134	10.800	-	10.800
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		39.134	-	39.134	10.800	-	10.800
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	(II-h)	563.895	757	564.652	589.410	1.023	590.433
12.1 General Loan Loss Provision		422.851	-	422.851	457.075	-	457.075
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		62.634	-	62.634	60.066	-	60.066
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		78.410	757	79.167	72.269	1.023	73.292
XIII. TAX LIABILITY	(II-i)	53.506	-	53.506	52.717	-	52.717
13.1 Current Tax Liability		53.506	-	53.506	52.717	-	52.717
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)	-	1.608.692	1.608.692	-	1.651.009	1.651.009
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.629.702	-	2.629.702	2.639.278	20.328	2.659.606
16.1 Paid-in Capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		295.681	-	295.681	275.942	20.328	296.270
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		26.293	-	26.293	(4.190)	20.328	16.138
16.2.4 Property and Equipment Revaluation Differences		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6 Revaluation differences of investment property		-	-	-	-	-	-
16.2.7 Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-	-	-
16.2.8 Hedging funds (Effective portion)		(3.305)	-	(3.305)	7.439	-	7.439
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		1.710.145	-	1.710.145	2.042.502	-	2.042.502
16.3.1 Legal Reserves		183.104	-	183.104	181.738	-	181.738
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		1.548.672	-	1.548.672	1.881.494	-	1.881.494
16.3.4 Other Profit Reserves		(21.631)	-	(21.631)	(20.730)	-	(20.730)
16.4 Income or (Loss)		(28.414)	-	(28.414)	(331.456)	-	(331.456)
16.4.1 Prior Years' Income or (Loss)		-	-	-	-	-	-
16.4.2 Current Year Income or (Loss)		(28.414)	-	(28.414)	(331.456)	-	(331.456)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13.239.735	15.004.442	28.244.177	14.424.726	17.222.667	31.647.393

The accompanying explanations and notes set out on pages 13 to 78 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 JUNE 2016 AND 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30.06.2016)			Prior Period (31.12.2015)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		36.650.118	65.746.355	102.396.473	34.785.646	69.636.021	104.421.667
I. GUARANTEES AND WARRANTIES	(III-a-2,3)	821.411	1.801.252	2.622.663	807.860	2.266.425	3.074.285
1.1 Letters of Guarantee		821.321	801.607	1.622.928	807.860	860.511	1.668.371
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		12.006	2.928	14.934	14.026	3.536	17.562
1.1.3 Other Letters of Guarantee		809.315	798.679	1.607.994	793.834	856.975	1.650.809
1.2 Bank Acceptances		-	216.229	216.229	-	470.727	470.727
1.2.1 Import Letter of Acceptance		-	216.229	216.229	-	470.727	470.727
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		-	494.414	494.414	-	595.235	595.235
1.3.1 Documentary Letters of Credit		-	154.018	154.018	-	212.429	212.429
1.3.2 Other Letters of Credit		-	340.396	340.396	-	382.806	382.806
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		90	289.002	289.092	-	339.952	339.952
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a-1)	9.376.198	8.165.013	17.541.211	15.173.412	16.264.504	31.437.916
2.1 Irrevocable Commitments		9.376.198	8.165.013	17.541.211	15.173.412	16.264.504	31.437.916
2.1.1 Asset Purchase and Sale Commitments		2.439.894	8.119.099	10.558.993	7.758.398	16.264.199	24.022.597
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		456.988	-	456.988	501.356	-	501.356
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		536.158	-	536.158	545.564	-	545.564
2.1.8 Tax and Fund Liabilities from Export Commitments		5.590	-	5.590	5.330	-	5.330
2.1.9 Commitments for Credit Card Limits		5.055.623	-	5.055.623	5.373.983	-	5.373.983
2.1.10 Commitments for Credit Cards and Banking Services Promotions		19.496	-	19.496	20.325	-	20.325
2.1.11 Receivables From Short Sale Commitments of Marketable Securities		6.070	22.831	28.901	-	25	25
2.1.12 Payables for Short Sale Commitments of Marketable Securities		6.070	22.831	28.901	-	25	25
2.1.13 Other Irrevocable Commitments		850.309	252	850.561	968.456	255	968.711
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	26.452.509	55.780.090	82.232.599	18.804.374	51.105.092	69.909.466
3.1 Hedging Derivative Financial Instruments		492.545	504.875	997.420	492.545	510.825	1.003.370
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		492.545	504.875	997.420	492.545	510.825	1.003.370
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Transactions		25.959.964	55.275.215	81.235.179	18.311.829	50.594.267	68.906.096
3.2.1 Forward Foreign Currency Buy/Sell Transactions		3.753.404	6.279.414	10.032.818	3.346.109	6.652.396	9.998.505
3.2.1.1 Forward Foreign Currency Transactions-Buy		2.583.335	2.455.766	5.039.101	1.914.888	3.074.738	4.989.626
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.170.069	3.823.648	4.993.717	1.431.221	3.577.658	5.008.879
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		16.599.620	41.415.997	58.015.617	10.938.979	38.273.022	49.212.001
3.2.2.1 Foreign Currency Swap-Buy		6.586.562	13.013.954	19.600.516	4.060.773	11.162.324	15.223.097
3.2.2.2 Foreign Currency Swap-Sell		10.013.058	9.604.445	19.617.503	6.878.206	7.752.896	14.631.102
3.2.2.3 Interest Rate Swap-Buy		-	9.398.799	9.398.799	-	9.678.901	9.678.901
3.2.2.4 Interest Rate Swap-Sell		-	9.398.799	9.398.799	-	9.678.901	9.678.901
3.2.3 Foreign Currency, Interest rate and Securities Options		5.606.940	7.571.954	13.178.894	4.026.741	5.361.504	9.388.245
3.2.3.1 Foreign Currency Options-Buy		2.801.455	3.787.964	6.589.419	2.006.761	2.687.318	4.694.079
3.2.3.2 Foreign Currency Options-Sell		2.805.485	3.783.990	6.589.475	2.019.980	2.674.186	4.694.166
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		-	7.850	7.850	-	307.345	307.345
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		39.375.212	74.183.105	113.558.317	39.666.722	85.598.781	125.265.503
IV. ITEMS HELD IN CUSTODY		10.580.103	1.387.007	11.967.110	10.039.124	1.548.317	11.587.441
4.1 Customer Fund and Portfolio Balances		1.277.917	-	1.277.917	1.221.087	-	1.221.087
4.2 Investment Securities Held in Custody		6.362.007	1.162.691	7.524.698	5.312.135	1.215.692	6.527.827
4.3 Checks Received for Collection		1.625.136	146.707	1.771.843	2.187.204	249.317	2.436.521
4.4 Commercial Notes Received for Collection		158.909	-	158.909	128.629	-	128.629
4.5 Other Assets Received for Collection		-	7.435	7.435	-	8.462	8.462
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1.156.134	70.174	1.226.308	1.190.069	74.846	1.264.915
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		15.640.969	13.592.724	29.233.693	12.179.624	14.162.474	26.342.098
5.1 Marketable Securities		977.882	3.827	981.709	903.674	16.840	920.514
5.2 Guarantee Notes		465.984	1.584.743	2.050.727	623.088	1.948.806	2.571.894
5.3 Commodity		240	6.335	6.575	240	6.410	6.650
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		7.468.320	2.854.379	10.322.699	8.324.255	2.670.818	10.995.073
5.6 Other Pledged Items		6.728.543	9.143.440	15.871.983	2.328.367	9.519.600	11.847.967
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		13.154.140	59.203.374	72.357.514	17.447.974	69.887.990	87.335.964
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		76.025.330	139.929.460	215.954.790	74.452.368	155.234.802	229.687.170

The accompanying explanations and notes set out on pages 13 to 78 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 FOR THE PERIOD ENDED
30 JUNE 2016 AND 2015**

(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 (01.01.2016 – 30.06.2016)	Prior Period (01.01.2015 – 30.06.2015)	Current Period (01.04.2016- 30.06.2016)	Prior Period (01.04.2015- 30.06.2015)
I.	INTEREST INCOME	(IV-a)	1.064.839	1.274.934	507.111	588.992
1.1	Interest on Loans	(IV-a-1)	959.991	953.243	462.636	475.310
1.2	Interest Received from Reserve Requirements		7.530	3.036	3.611	1.741
1.3	Interest Received from Banks	(IV-a-2)	5.375	70.639	2.337	35.060
1.4	Interest Received from Money Market Transactions		4.303	184.001	1.022	43.890
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	85.513	58.367	36.419	30.165
1.5.1	Trading Financial Assets		41.948	38.881	14.678	22.412
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1.5.3	Available-for-sale Financial Assets		43.565	19.486	21.741	7.753
1.5.4	Held to Maturity Investments		-	-	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		2.127	5.648	1.086	2.826
II.	INTEREST EXPENSE (-)	(IV-b)	584.222	650.673	276.661	316.989
2.1	Interest on Deposits (-)	(IV-b-4)	419.418	465.976	196.372	230.426
2.2	Interest on Funds Borrowed (-)	(IV-b-1)	127.156	144.420	62.238	63.992
2.3	Interest Expense on Money Market Transaction (-)		27.785	29.835	13.706	17.739
2.4	Interest on Securities Issued (-)	(IV-b-3)	-	-	-	-
2.5	Other Interest Expense (-)		9.863	10.442	4.345	4.832
III.	NET INTEREST INCOME (I + II)		480.617	624.261	230.450	272.003
IV.	NET FEES AND COMMISSIONS INCOME		197.302	248.917	94.302	121.648
4.1	Fees and Commissions Received		218.106	270.931	104.540	132.916
4.1.1	Non-cash Loans		10.114	7.551	5.338	3.999
4.1.2	Other		207.992	263.380	99.202	128.917
4.2	Fees and Commissions Paid (-)		20.804	22.014	10.238	11.268
4.2.1	Non-cash Loans (-)		338	277	193	166
4.2.2	Other (-)		20.466	21.737	10.045	11.102
V.	DIVIDEND INCOME	(IV-c)	19.869	16.724	-	-
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	66.015	(25.312)	38.762	38.285
6.1	Trading Gains/(Losses) on Securities		40.362	(6.012)	26.590	(3.734)
6.2	Derivative Financial Transactions Gains/(Losses)		(39.852)	674.548	(4.754)	306.078
6.3	Foreign Exchange Gains/(Losses)		65.505	(693.848)	16.926	(264.059)
VII.	OTHER OPERATING INCOME	(IV-e)	187.628	99.373	122.896	50.968
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		951.431	963.963	486.410	482.904
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	316.331	365.204	100.741	170.987
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	659.406	661.899	345.714	336.983
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		(24.306)	(63.140)	39.955	(25.066)
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-	-	-
XV.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)		(24.306)	(63.140)	39.955	(25.066)
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-h)	(4.108)	7.546	(3.039)	1.518
16.1	Current Tax Provision	(IV-i)	(1.197)	(4.002)	(579)	(2.389)
16.2	Deferred Tax Provision		(2.911)	11.548	(2.460)	3.907
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(IV-j)	(28.414)	(55.594)	36.916	(23.548)
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1	Income from Non-current Assets Held for Resale		-	-	-	-
	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
18.2	Other Income From Discontinued Operations		-	-	-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1	Expenses for Non-current Assets Held for Resale		-	-	-	-
	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
19.2	Other Expenses From Discontinued Operations		-	-	-	-
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)	(28.414)	(55.594)	36.916	(23.548)
	Earnings/ Loss per Share (The amounts are expressed in full TL)		(0,000436)	(0,000852)	0,000566	(0,000361)

The accompanying explanations and notes set out on pages 13 to 78 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY AS AT 30 JUNE 2016 AND 2015

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY	Current Period (30.06.2016)	Prior Period (30.06.2015)
I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	12.694	(8.703)
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)	(13.430)	11.104
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(1.126)	414
IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES	372	(563)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(1.490)	2.252
XI. CURRENT YEAR PROFIT/LOSS	(28.414)	(55.594)
11.1 Net change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	-	-
11.2 Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	(190)	(424)
11.3 Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4 Other	(28.224)	(55.170)
XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	(29.904)	(53.342)

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																	
30 June 2015	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	-	-	-	179.957	-	1.939.200	271.553	(55.925)	-	7.336	-	-	(642)	-	2.993.769
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	-	-	-	179.957	-	1.939.200	271.553	(55.925)	-	7.336	-	-	(642)	-	2.993.769
Changes in the Period																	
IV. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(6.962)	-	-	-	-	(6.962)
VI. Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	8.883	-	-	8.883
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	8.883	-	-	8.883
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		-	-	-	-	-	-	-	331	-	-	-	-	-	-	-	331
XIX. Current Year Income or Loss		-	-	-	-	-	-	-	-	(55.594)	-	-	-	-	-	-	(55.594)
XX. Profit Distribution		-	-	-	-	1.781	-	(57.706)	-	55.925	-	-	-	-	-	-	-
20.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	1.781	-	(57.706)	-	55.925	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the period (III+IV+V+.....+XVIII+XIX+XX)		652.290	-	-	-	181.738	-	1.881.494	271.884	(55.594)	-	374	-	-	8.241	-	2.940.427

The accompanying explanations and notes set out on pages 13 to 78 form an integral part of these financial statements.

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HSBC BANK A.Ş.

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

(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 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	
30 June 2016																		
I. Balances at the Beginning of the Period		652.290	-	-	-	181.738	-	1.881.494	251.963	(331.456)	-	16.138	-	-	7.439	-	-	2.659.606
Changes in the Period																		
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	10.155	-	-	-	-	-	10.155
IV. Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	(10.744)	-	-	(10.744)
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(10.744)	-	-	(10.744)
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		-	-	-	-	-	-	-	(901)	-	-	-	-	-	-	-	-	(901)
XVII. Current Year Income or Loss		-	-	-	-	-	-	-	-	(28.414)	-	-	-	-	-	-	-	(28.414)
XVIII. Profit Distribution		-	-	-	-	1.366	-	(332.822)	-	331.456	-	-	-	-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	1.366	-	(332.822)	-	331.456	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period (I+II+III+IV+V.....+XVIII)		652.290	-	-	-	183.104	-	1.548.672	251.062	(28.414)	-	26.293	-	-	(3.305)	-	-	2.629.702

The accompanying explanations and notes set out on pages 13 to 78 form an integral part of these financial statements.

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**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 JUNE 2016 AND 2015**

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

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period (30.06.2016)	Prior Period (30.06.2015)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		694.885	64.051
1.1.1 Interest received		1.150.015	1.170.543
1.1.2 Interest paid		(627.981)	(626.518)
1.1.3 Dividend received		19.869	16.724
1.1.4 Fees and commissions received		219.715	271.572
1.1.5 Other income		187.628	99.373
1.1.6 Collections from previously written-off loans and other receivables		135.220	122.563
1.1.7 Payments to personnel and service suppliers		(304.707)	(268.171)
1.1.8 Taxes paid		(440)	(30.333)
1.1.9 Other		(84.434)	(691.702)
1.2 Changes in operating assets and liabilities		(814.339)	(3.031.628)
1.2.1 Net (increase)/decrease in trading securities		267.256	(506.544)
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		(5)	(7)
1.2.4 Net (increase)/decrease in loans		2.430.209	(1.629.136)
1.2.5 Net (increase)/decrease in other assets		120.230	(114.459)
1.2.6 Net increase/(decrease) in bank deposits		442.009	118.049
1.2.7 Net increase/(decrease) in other deposits		(2.499.706)	869.947
1.2.8 Net increase/(decrease) in funds borrowed		(1.274.559)	(2.391.732)
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net increase/(decrease) in other liabilities		(299.773)	622.254
I. Net cash provided from banking operations		(119.454)	(2.967.577)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(413.916)	223.857
2.1 Cash paid for acquisition of investments, associates and subsidiaries (Business Partnerships)		-	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries (Business Partnerships)		-	-
2.3 Purchases of property and equipment		(3.384)	(11.742)
2.4 Disposals of property and equipment		11.909	25.238
2.5 Cash paid for purchase of investments available-for-sale		(698.585)	(165.735)
2.6 Cash obtained from sale of investments available-for-sale		280.723	397.271
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		(4.579)	(21.175)
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		(11.437)	6.820
V. Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		(544.807)	(2.736.900)
VI. Cash and cash equivalents at beginning of the period		4.939.401	9.710.715
VII. Cash and cash equivalents at end of the period		4.394.594	6.973.815

The accompanying explanations and notes set out on pages 13 to 78 form an integral part of these financial statements.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

(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 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 estimations and projections used are explained in corresponding disclosures.

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments will come into force as of 01 January 2018, which have been effective as of reporting date have no impact on the accounting policies, financial position and performance of the 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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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2016

(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 analysis, limit usages and controls are being discussed in monthly Asset-Liability committee meetings where value adding decisions are made. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”, except for foreign currency non-performing loans and other foreign currency denominated non-monetary assets and liabilities.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Bank has no investments in associates as of 30 June 2016. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard on Financial Instruments: Recognition and Measurement” (“TAS 39”) in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiaries of the Bank are “HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş.” and “HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş.”. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on 10 December 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide transfer, hospitality, pass port, catering, housing, parking, private waiting room and transportation services in railroad, land, sea, airport passenger lounges either to its clients or all real or legal persons. HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş. was established on 13 January 2005 in order to provide information and telecommunication services.

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

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

In order to reduce the foreign exchange position risk the Bank conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Bank conducts interest futures 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. In accordance with the related regulation, realized and unrealized interest accruals of the non performing loans are reversed. The interest income related to these loans are recorded as interest income only when collected.

VI. EXPLANATIONS ON FEE AND 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”. The appropriate classification of financial assets of the Bank is determined at trade dates.

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

Financial assets at fair value through profit or loss consist of trading financial assets and financial assets at fair value through profit or loss. They are initially recognised at cost and subsequently re-measured at their fair value. While determining the fair value, the 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 JUNE 2016

(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 Differences” under the shareholders’ equity. The interest income which is calculated with the effective interest rate method is recognised in the income statement. When these securities are disposed of, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value and mentioned valuation differences are recognised at “Marketable Securities Valuation Differences”. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

c. Loans and receivables:

Financial assets that are originated by the 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 booked”) published in the Official Gazette dated 1 November 2006 and numbered 26333. In addition to the non-performing loans, the Bank provides general loan loss provisions for the loans and receivables which are defined in the same communiqué. The interests and accruals of the non-performing loans are derecognized from the financial statement and provision expense is recognized in the income statement. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

d. Investment securities held-to-maturity:

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognized in the income statement. As of 30 June 2016 and 31 December 2015, the Bank has no investment securities held-to-maturity.

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VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

In each balance sheet date, the Bank assesses if there is an objective evidence of the impairment of financial assets or financial asset groups. If such an indicator exists, the Bank will perform the calculations. 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 booked by Banks and to the Provisions to be Booked” 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 June 2016 and 31 December 2015, 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 June 2016 that the Bank has given as guarantees to BIST Bonds and Bills Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş. (31 December 2015: EUR 12.000 nominal government bonds).

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

As of 30 June 2016 and 31 December 2015, 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 2015 per the testing results.

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, CONTINGENT ASSETS 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. The bank recognized a full provision in its 30 June 2016 financials as part of its strategic actions in the scope of restructuring process. Details of these actions can be found in Part I Note 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". The provision is classified under "Other Provisions" and recognized as an expense in income statement.

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 5,14% (31 December 2015: 4,95%).

As of 30 June 2016, actuarial loss amounted to TL 21.631 (31 December 2015: TL 20.730 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 (“TRNC”)

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next 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. The Bank has recognized deferred tax receivables amounting to TL 82.671 as an expense; TL 77.627 in 2015, and TL 5.044 as of June 2016. Aforementioned assesment will be reevaluated and reperformed on every following reporting date.

Various operations and calculations with unascertained effects on final tax amount occur during standard workflow, 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 June 2016 and 31 December 2015.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 30 June 2016 and 31 December 2015, 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 June 2016 and 31 December 2015, 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 June 2016	Prior Period 30 June 2015
Net Profit/(Loss) for the Period	(28.414)	(55.594)
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	(0,000436)	(0,000852)

(*) Amounts are expressed in full TL.

XXVI. CASH AND CASH EQUIVALENTS

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

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XXVII. RELATED PARTIES

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

XXVIII. RECLASSIFICATIONS

There are no adjustments to the prior year financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 30 June 2016 and 31 December 2015 financials.

XXIX. OTHER MATTERS

None.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL POSITION

I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO

Equity and Capital Adequacy Standard Ratio of the Bank is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", and "Communiqué on Equities of Banks". As of 30 June 2016, equity of the Bank is amounting to TL 4.422.312, and the Bank's capital adequacy ratio is 18,23%. Calculations for 31 December 2015 has been in accordance with former regulations, thus equity was amounting to TL 4.463.084, and the Bank's capital adequacy ratio was 15,72%. This rate is higher than the minimum rate required by the related regulation.

a. Information about shareholders' equity items:

	Current Period 30 June 2016	Amount as per the regulation before 01.01.2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	1.976.057	
Other Comprehensive Income according to TAS	26.293	
Profit	-	
Current Period Profit	-	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	2.654.640	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	21.631	
Leasehold Improvements on Operational Leases (-)	8.806	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	15.671	26.118
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	46.108	
Total Common Equity Tier I Capital	2.608.532	

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Current Period 30 June 2016	Amount as per the regulation before 01.01.2014 (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	10.447	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	10.447	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	2.598.085	-
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.579.243	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	254.098	-
Total Deductions from Tier II Capital	1.833.341	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	1.833.341	-
Total Equity (Total Tier I and Tier II Capital)	4.431.426	-
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	175	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	150	-
Other items to be Defined by the BRSA (-)	8.789	-
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Current Period 30 June 2016	Amount as per the regulation before 01.01.2014 (*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.422.312	
Total Risk Weighted Assets	24.257.243	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	10,75%	
Tier I Capital Ratio (%)	10,71%	
Capital Adequacy Ratio (%)	18,23%	
BUFFERS		
Bank-specific total CET1 Capital Ratio	0,63%	
Capital Conservation Buffer Ratio (%)	0,63%	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	5,63%	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	422.851	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	254.098	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

(*) Amounts to be recognized under transition regulations

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Prior Period 31 December 2015 (*)
TIER I CAPITAL	
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	2.004.469
Other Comprehensive Income according to TAS	16.138
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	2.672.897
Deductions From Tier I Capital	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	20.730
Leasehold Improvements on Operational Leases (-)	15.148
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	31.343
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	67.221
Tier I capital	2.605.676
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)

	Prior Period 31 December 2015 (*)
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	2.605.676
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)	1.589.676
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	298.046
Tier II Capital before Deductions	1.887.722
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 (-)	24.746
Total Deductions from Tier II Capital	24.746
Total Tier II Capital	1.862.976
CAPITAL	4.468.652
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	249
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	141
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	5.178
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	4.463.084
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	-

(*) Total capital has been calculated in accordance with the “Regulations regarding to changes on Regulation on Equity of Banks” effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation.

b. Items included in capital calculation:

None.

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

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

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

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

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

II. EXPLANATIONS ON CREDIT RISK

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

III. EXPLANATIONS ON COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATIONS

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

IV. EXPLANATIONS ON 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.

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IV. EXPLANATIONS ON CURRENCY RISK (Continued)

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

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

c. Management policy for foreign currency risk:

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

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

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

Current Period - 30 June 2016	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	2,8850	3,2071
29 June 2016	2,8921	3,2157
28 June 2016	2,8970	3,2039
27 June 2016	2,9353	3,2326
24 June 2016	2,9235	3,2335
23 June 2016	2,8750	3,2715
Prior Period – 31 December 2015	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	2,9190	3,1767

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

As of June 2016, the Bank’s simple arithmetic average foreign exchange rates for USD is TL 2,9147 (December 2015: TL 2,9209) and exchange rates for Euro TL 3,2747 (December 2015: TL 3,1842).

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IV. EXPLANATIONS ON CURRENCY RISK (Continued)

f. Information related to Bank's Currency Risk:

Current Period - 30 June 2016	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	520.134	1.671.962	632.513	2.824.609
Banks	872.670	599.096	23.525	1.495.291
Financial Assets at Fair Value through Profit or Loss (Net)	217.559	318.903	42.420	578.882
Interbank Money Market Placements	-	2.309.755	-	2.309.755
Financial Assets Available-for-Sale (Net)	2.102	-	-	2.102
Loans (*)	3.694.060	3.221.948	55.207	6.971.215
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 (**)	187.966	3.838	3.352	195.156
Total Assets	5.494.491	8.125.502	757.017	14.377.010
Liabilities				
Bank Deposits	27	33	33	93
Foreign Currency Deposits	2.570.743	5.791.111	993.767	9.355.621
Funds from Interbank Money Market	-	-	-	-
Borrowings	1.927.887	3.342.818	4.178	5.274.883
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	269	3.125	64	3.458
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	132.991	159.299	78.097	370.387
Total Liabilities	4.631.917	9.296.386	1.076.139	15.004.442
Net on Balance Sheet Position	862.574	(1.170.884)	(319.122)	(627.432)
Net Off-Balance Sheet Position	(865.656)	1.250.416	349.303	734.063
Financial Derivative Assets	6.039.389	15.018.367	1.513.816	22.571.572
Financial Derivative Liabilities	6.905.045	13.767.951	1.164.513	21.837.509
Non-cash Loans	491.076	1.282.836	27.340	1.801.252
Prior Period - 31 December 2015				
Total Assets	5.772.791	7.928.149	726.913	14.427.853
Total Liabilities	6.008.452	10.096.943	1.117.272	17.222.667
Net on-Balance Sheet Position	(235.661)	(2.168.794)	(390.359)	(2.794.814)
Net off-Balance Sheet Position	227.513	2.260.465	383.933	2.871.911
Financial Derivative Assets	7.141.977	14.868.200	1.212.471	23.222.648
Financial Derivative Liabilities	6.914.464	12.607.735	828.538	20.350.737
Non-cash Loans	616.048	1.603.872	46.505	2.266.425

(*) As of 30 June 2016, total loans amount consists foreign indexed loans amounting to TL 1.735.432 (31 December 2015: TL 2.544.252) and foreign currency factoring receivables amounting to TL 27.232 (31 December 2015: TL 47.236).

(**) As of 30 June 2016, other assets do not consist of prepaid expenses amounting to TL 2.867 (31 December 2015: TL 650).

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V. EXPLANATIONS ON INTEREST RATE RISK

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

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

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

Current Period - 30 June 2016	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	2.327.511	-	-	-	-	856.928	3.184.439
Banks	1.418.207	-	-	1.844	-	123.690	1.543.741
Financial Assets at Fair Value Through Profit or Loss (Net)	231.407	216.852	770.815	123.304	30.078	10.425	1.382.881
Interbank Money Market Placements	2.309.755	-	-	-	-	-	2.309.755
Financial Assets Available-for-Sale (Net)	82.809	-	227.022	640.182	167.453	6.327	1.123.793
Loans (*)	7.258.869	1.328.665	3.194.505	4.959.307	952.376	469.745	18.163.467
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	8.694	5.693	-	-	-	521.714	536.101
Total Assets	13.637.252	1.551.210	4.192.342	5.724.637	1.149.907	1.988.829	28.244.177
Liabilities							
Bank Deposits	460.606	-	-	-	-	59.276	519.882
Other Deposits	11.520.306	1.509.528	189.013	3.735	-	3.249.375	16.471.957
Funds from Interbank Money Market	847.057	-	-	-	-	-	847.057
Miscellaneous Payables	-	-	-	-	-	390.552	390.552
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	723.381	2.078.166	2.665.364	195.301	-	29.146	5.691.358
Other Liabilities (**)	209.797	122.362	246.109	626.319	3.597	3.115.187	4.323.371
Total Liabilities	13.761.147	3.710.056	3.100.486	825.355	3.597	6.843.536	28.244.177
Balance Sheet Long Position	-	-	1.091.856	4.899.282	1.146.310	-	7.137.448
Balance Sheet Short Position	(123.895)	(2.158.846)	-	-	-	(4.854.707)	(7.137.448)
Off Balance Sheet Long Position	-	119.680	84.272	87.925	-	-	291.877
Off Balance Sheet Short Position	(45.241)	-	-	-	-	-	(45.241)
Total Position	(169.136)	(2.039.166)	1.176.128	4.987.207	1.146.310	(4.854.707)	246.636

(*) Loans consist of factoring transactions amounting to TL 408.126 (31 December 2015: TL 584.068).

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

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V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period - 31 December 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	2.420.133	-	-	-	-	974.341	3.394.474
Banks	344.446	-	-	-	-	151.312	495.758
Financial Assets at Fair Value Through Profit or Loss (Net)	261.321	697.809	352.224	289.708	37.232	5.182	1.643.476
Interbank Money Market Placements	3.879.540	-	-	-	-	-	3.879.540
Financial Assets Available-for-Sale (Net)	104	-	-	580.296	44.082	29.635	654.117
Loans (*)	7.997.146	1.562.106	4.112.510	5.949.772	994.850	459.083	21.075.467
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	12.149	8.517	-	-	-	483.895	504.561
Total Assets	14.914.839	2.268.432	4.464.734	6.819.776	1.076.164	2.103.448	31.647.393
Liabilities							
Bank Deposits	19.521	-	-	-	-	58.240	77.761
Other Deposits	12.916.728	2.523.809	234.429	4.723	-	3.298.909	18.978.598
Funds from Interbank Money Market	790.709	-	-	-	-	-	790.709
Miscellaneous Payables	-	-	-	-	-	655.219	655.219
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	2.394.431	3.948.107	420.837	211.119	-	28.108	7.002.602
Other Liabilities (**)	84.971	82.214	146.491	650.498	1.583	3.176.747	4.142.504
Total Liabilities	16.206.360	6.554.130	801.757	866.340	1.583	7.217.223	31.647.393
Balance Sheet Long Position	-	-	3.662.977	5.953.436	1.074.581	-	10.690.994
Balance Sheet Short Position	(1.291.521)	(4.285.698)	-	-	-	(5.113.775)	(10.690.994)
Off Balance Sheet Long Position	53.325	304.916	167.559	96.363	-	-	622.163
Off Balance Sheet Short Position	-	-	-	-	(1.795)	-	(1.795)
Total Position	(1.238.196)	(3.980.782)	3.830.536	6.049.799	1.072.786	(5.113.775)	620.368

(*) Loans consist of factoring receivables amounting to TL 584.068.

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

b. Effective average interest rates for monetary financial instruments:

Current Period – 30 June 2016	Euro	US Dollar	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	0,49	-	3,21
Banks	-	0,30	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	5,12	5,99	-	8,08
Interbank Money Market Placements	-	0,22	-	-
Financial Assets Available-for-Sale (Net)	-	-	-	9,28
Loans	3,64	4,02	-	14,48
Liabilities				
Bank Deposits	-	-	-	8,93
Other Deposits	1,04	1,65	1,40	9,88
Funds From Interbank Money Market	-	-	-	7,77
Funds Borrowed	1,90	3,62	-	15,06

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V. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period - 31 December 2015	Euro	US Dollar	Yen	TL
Assets				
Cash Equivalents and Central Bank	-	0,49	-	1,81
Banks	-	0,37	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	5,17	6,58	-	9,30
Interbank Money Market Placements	0,03	0,38	-	10,74
Financial Assets Available-for-Sale (Net)	-	-	-	9,15
Loans	3,36	3,68	-	14,17
Liabilities				
Bank Deposits	-	-	-	6,48
Other Deposits	0,95	1,66	1,23	10,35
Funds From Interbank Money Market	-	-	-	7,50
Funds Borrowed	1,78	3,16	-	14,53

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

a. Position risk of equity securities in banking book

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

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

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

None.

VII. EXPLANATIONS ON LIQUIDITY RISK

Information about the liquidity risk management including factors such as risk capacity of the bank, responsibilities and the structure of liquidity risk management, reporting of the liquidity risk within the Bank and providing communication with Board of Directors and line of businesses in terms of liquidity risk strategy,policy and applications:

The Bank has adopted principle of funding the liquidity and funding management of the Bank with core funding instruments. Funds required must be available even under stressed conditions particular to the Bank and the Market

The Bank’s short term liquidity is managed by the Balance Sheet Management which is associated to the treasury function and the management of liquidity and funding risks of the banking portfolio is conducted by Assets and Liabilities and Capital Management Unit (ALCM) operating under Finance department, within the framework of risk policies and risk appetite approved by Board of Directors. Board of Directors determines risk appetite and internal risk limits of liquidity. In terms of the approving risk appetite, inherent liquidity limits, and considering Bank’s strategy and market conditions, Assets and Liabilities Committee (ALCO) is the decision making body regarding balance sheet management, identification and efficiency of funding sources, and determination of potential risks. The Asset-Liability Management Committee is responsible for preparing middle and long term liquidity strategies.

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

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

In addition, current and planned liquidity positions of bank is tracked at tactical ALCO meetings with the participation of business representatives at least on weekly basis and business line representatives are informed if necessary actions are to be taken. The aim of these meetings is to ensure prevention of negative net cash flow of the bank liquidity and prevention exceeding limits by comparing the current situation regarding to the balance sheet structure of business line with the approved limit usage of strategic funding plans and liquidity.

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

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

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

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

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

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

Consolidated liquidity measurement of the Banks’ total liquidity and selected currencies for short and long terms is planned within the context of strategic funding plan. The FC and total internal risk limits approvals of Board of Directors is available.

Information on liquidity risk mitigation techniques:

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

Explanation of the usage of stress test:

Along with the legal liquidity risk calculations and restrictions, in terms of liquidity management, stress tests and scenario analyses are performed in accordance with the international liquidity management policies of the HSBC. In these scenarios, liquidity crisis scenarios of Bank and macro liquidity crisis scenarios are evaluated and triggering factors of liquidity risk and prewarning signals are tracked. Analyses and results of the liquidity risk are tracked in tactical ALCO meetings weekly and in ALCO-Market Risk Committees monthly.

General Information on liquidity emergency and contingency plans:

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

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

a. Liquidity coverage rate:

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

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

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

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

Explanation regarding the components of high quality liquid assets:

High quality liquid assets consists of cash, effective depot, cheques purchased, time and demand deposit by CBT, reverse repurchase transactions and securities that are not subject to repurchase/collateral for providing liquidity.

Components density of fund resources in all funds:

The Bank’s founding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for founding consists 60% of total liabilities.

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

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

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

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

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

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

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
Current Period – 30.06.2016				
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			4.300.579	2.968.874
Cash Outflows				
Real person and retail deposits	12.823.462	7.145.317	1.019.989	618.912
Stable deposits	5.247.152	1.912.396	262.358	95.620
Less stable deposits	7.576.310	5.232.921	757.631	523.292
Unsecured debts other than real person and retail deposits	5.464.149	2.739.646	2.889.393	1.234.585
Operational deposits	78.320	-	3.916	-
Non-operational deposits	843.455	384.915	648.608	261.600
Other unsecured debts	4.542.374	2.354.731	2.236.869	972.985
Secured debts	-	-	-	-
Other cash outflows	42.893	1.579.267	42.893	1.579.267
Derivative liabilities and collateral completion liabilities	42.893	1.579.267	42.893	1.579.267
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	7.348.338	324.220	367.417	16.211
Other irrevocable or revocable (based on conditions) off-the-balance sheet debts	973.484	-	292.045	-
TOTAL CASH OUTFLOWS			4.611.737	3.448.975
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	5.183.688	2.716.007	3.877.878	2.578.326
Other cash inflows	225.805	2.123.822	225.805	2.123.822
TOTAL CASH INFLOWS	5.409.493	4.839.829	4.103.683	4.702.148
				Values to which the upper limit is applied
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			4.300.579	2.968.874
TOTAL NET CASH OUTFLOWS			1.152.934	862.244
LIQUIDITY COVERAGE RATIO (%)			373%	344%

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

Table below represents lowest, highest and average liquidity coverage rates for three month period of 2016

	Current Period - 30.06.2016	
	TL+FC	FC
Highest	467%	488%
Date	27.06.2016	27.06.2016
Lowest	300%	265%
Date	13.06.2016	06.06.2016
Average	373%	344%

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
Prior Period – 31.12.2015				
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			4.524.540	3.225.413
Cash Outflows				
Real person and retail deposits	14.062.330	7.395.097	1.124.674	645.522
Stable deposits	5.631.175	1.879.747	281.559	93.987
Less stable deposits	8.431.155	5.515.350	843.115	551.535
Unsecured debts other than real person and retail deposits	6.397.726	3.557.276	3.265.558	1.641.099
Operational deposits	96.617	-	4.831	-
Non-operational deposits	765.683	348.711	450.296	151.368
Other unsecured debts	5.535.426	3.208.565	2.810.431	1.489.731
Secured debts	-	-	-	-
Other cash outflows	-	1.194.008	-	1.194.008
Derivative liabilities and collateral completion	-	1.194.008	-	1.194.008
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	7.858.760	364.074	392.938	18.204
Other irrevocable or revocable (based on conditions) off- the balance sheet debts	961.674	-	288.502	-
TOTAL CASH OUTFLOWS			5.071.673	3.498.833
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	5.133.508	2.694.088	3.927.621	2.541.582
Other cash inflows	519.196	89.927	519.196	89.927
TOTAL CASH INFLOWS	5.652.704	2.784.015	4.446.817	2.631.509
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			4.524.540	3.225.413
TOTAL NET CASH OUTFLOWS			1.267.918	874.708
LIQUIDITY COVERAGE RATIO (%)			357%	369%

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

Table below represents lowest, highest and average liquidity coverage rates for year 2015.

	Prior Period - 31.12.2015	
	TL+FC	FC
Highest	385%	483%
Date	23.11.2015	02.11.2015
Lowest	282%	153%
Date	28.09.2015	28.09.2015
Average	357%	369%

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

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

Current Period - 30 June 2016	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	543.242	2.641.197	-	-	-	-	-	3.184.439
Banks	123.690	1.418.207	-	-	1.844	-	-	1.543.741
Financial Assets at Fair Value through Profit or Loss (Net)	10.425	197.598	113.605	708.316	247.845	105.092	-	1.382.881
Interbank Money Market Placements	-	2.309.755	-	-	-	-	-	2.309.755
Financial Assets Available-for-Sale (Net)	-	82.809	-	227.022	640.182	167.453	6.327	1.123.793
Loans (*)	-	5.254.549	2.798.146	3.713.629	4.982.329	945.069	469.745	18.163.467
Investments Held-to-maturity (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	105.764	-	11.338	155.442	-	263.557	536.101
Total Assets	677.357	12.009.879	2.911.751	4.660.305	6.027.642	1.217.614	739.629	28.244.177
Liabilities								
Bank Deposits	59.276	460.606	-	-	-	-	-	519.882
Other Deposits	3.249.375	11.520.306	1.509.528	189.013	3.735	-	-	16.471.957
Funds from Interbank Money Market	-	847.057	-	-	-	-	-	847.057
Miscellaneous Payables	-	246.140	86.970	57.002	440	-	-	390.552
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Funds Borrowed	29.146	826	1.024	2.011.244	2.040.426	1.608.692	-	5.691.358
Other Liabilities (***)	-	149.164	98.160	326.940	569.746	64.174	3.115.187	4.323.371
Total Liabilities	3.337.797	13.224.099	1.695.682	2.584.199	2.614.347	1.672.866	3.115.187	28.244.177
Net Liquidity Gap	(2.660.440)	(1.214.220)	1.216.069	2.076.106	3.413.295	(455.252)	(2.375.558)	-
Prior Period - 31 December 2015								
Total Assets	720.597	12.822.196	3.346.953	5.541.111	7.324.976	1.159.631	731.929	31.647.393
Total Liabilities	3.385.257	14.313.138	3.021.921	2.038.948	4.026.993	1.684.389	3.176.747	31.647.393
Net Liquidity Gap	(2.664.660)	(1.490.942)	325.032	3.502.163	3.297.983	(524.758)	(2.444.818)	-

(*) Loans include the factoring receivables amounting to TL 408.126 (31 December 2015: TL 584.068).

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

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

c. Explanations on securitization positions:

None.

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VIII. EXPLANATIONS ON LEVERAGE RATE

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

	Current Period	Prior Period
	30 June 2016 (*)	31 December 2015 (*)
Assets On the Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	26.826.803	30.263.542
(Assets deducted from core capital)	(37.312)	(46.771)
Total risk amount for assets on the balance sheet	26.789.491	30.216.771
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	729.886	775.366
Potential credit risk amount of derivative financial instruments and loan derivatives	511.495	612.386
Total risk amount of derivative financial instruments and loan derivatives	1.241.381	1.387.752
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	107.286	38.133
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	107.286	38.133
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	23.224.213	10.556.199
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	23.224.213	10.556.199
Capital and Total Risk		
Core capital	2.584.443	2.655.756
Total risk amount	51.362.371	42.198.855
Leverage Ratio		
Leverage Ratio (%)	5,03	6,29

(*) Table represents three month average amounts.

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IX. EXPLANATIONS ON RISK MANAGEMENT

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

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

a. Explanations on Risk Management and Risk Weighted Amount:

1. Overview of Risk Weighted Amounts:

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period 30 June 2016	Prior Period 31 December 2015	Current Period 30 June 2016
Credit risk (excluding counterparty credit risk) (CCR) (*)	19.298.141	23.823.694	1.543.851
Standardised approach (SA)	19.298.141	23.823.694	1.543.851
Internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	1.029.700	19.952	82.376
Standardised approach for counterparty credit risk (SA- Internal model method (IMM)	1.029.700	19.952	82.376
Internal model method (IMM)	-	-	-
Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – 1250% risk weighting	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
IRB ratings-based approach (RBA)	-	-	-
IRB supervisory formula approach (SFA)	-	-	-
SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	667.050	1.290.363	53.364
Standardised approach (SA)	667.050	1.290.363	53.364
Internal model approaches (IMM)	-	-	-
Operational risk	3.262.352	3.248.598	260.988
Basic indicator approach	3.262.352	3.248.598	260.988
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
TOTAL	24.257.243	28.382.607	1.940.579

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

b. Credit Quality of Assets

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

Current Period 30 June 2016	Gross carrying values of (according to TAS)		Allowances / Impairment	Net Values
	Defaulted Exposures	Non-defaulted Exposures		
Loans	1.215.730	17.693.722	745.985	18.163.467
Debt Securities	-	1.846.630	2.511	1.844.119
Off-balance sheet exposure	211	20.163.834	171	20.163.874
Total	1.215.941	39.704.186	748.667	40.171.460

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

	Current Period 30 June 2016
I. Defaulted Loans and debt securities at period end	1.245.341
II. Loans and debt securities that have defaulted since the last reporting period	388.506
III. Returned to non-defaulted status	7.544
IV. Amounts written-off from asset	286.605
V. Other Changes	(123.757)
VI. Defaulted Loans and debt securities at current period end (I+II-III-IV±V)	1.215.941

d. Credit Risk Mitigation Techniques:

Current Period 30 June 2016	Exposures unsecured: carrying amount	Exposures secured by collaterals	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
Loans	17.280.049	883.418	803.531	215.129	215.129	-	-
Debt Securities	1.844.119	-	-	-	-	-	-
Total	19.124.168	883.418	803.531	215.129	215.129	-	-
Defaulted	1.197.670	17.998	-	273	273	-	-

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period 30 June 2016	Exposures before Credit Conversion Factors and CRM		Exposures post- Credit Conversion Factors and CRM		Risk Weighted Amount and Risk Weighted Amount density	
	On- balance sheet amount	Off- balance sheet amount	On- balance sheet amount	Off- balance sheet amount	Risk Weighted Amount	Risk Weighted Amount density
Asset classes						
Exposures to central governments or central banks	4.177.900	5	4.177.900	1	1.583.220	38%
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	-	302	-	60	60	100%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to institutions	2.259.371	1.657.389	2.201.943	1.285.796	1.053.530	30%
Exposures to corporates	10.421.269	3.293.850	10.323.552	1.925.283	12.248.835	100%
Retail exposures	5.844.571	5.932.180	5.727.340	226.324	4.481.520	75%
Exposures secured by residential property	798.963	4.035	798.963	727	279.892	35%
Exposures secured by commercial real estate	5.488	566	5.488	85	2.786	50%
Past-due loans	487.411	-	487.138	-	502.247	103%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
Other assets	566.423	88.116	566.423	19.233	175.751	30%
Investment in equities	-	-	-	-	-	-
Total	24.561.396	10.976.443	24.288.747	3.457.509	20.327.841	73%

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period												
30 June 2016												
Asset Classes/ Risk Weight	0%	10%	20%	50% (secured by real estate)	75%	100%	150%	200%	35%	50%	Other Risk Weights	Total credit risk exposure amount (After CCF and CRM)
Exposures to central governments or central banks	1.272.861	-	-	-	-	261.401	-	-	-	2.643.639	-	4.177.901
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	60	-	-	-	-	-	60
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	2.514.685	-	-	124.704	1.714	-	-	846.636	-	3.487.739
Exposures to corporates	-	-	-	-	-	12.248.835	-	-	-	-	-	12.248.835
Retail exposures	-	-	-	-	5.888.578	65.086	-	-	-	-	-	5.953.664
Exposures secured by residential property	-	-	-	-	-	-	-	-	799.690	-	-	799.690
Exposures secured by commercial real estate	-	-	-	5.573	-	-	-	-	-	-	-	5.573
Past-due loans	-	-	-	-	-	234.327	141.515	-	-	111.296	-	487.138
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	406.794	-	3.889	-	-	174.973	-	-	-	-	-	585.656
Total	1.679.655	-	2.518.574	5.573	5.888.578	13.109.386	143.229	-	799.690	3.601.571	-	27.746.256

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period 30 June 2016	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	Risk Weighted Amount
Standardised Approach - CCR (For Derivatives)	753.297	567.067		1,4	1.320.364	741.509
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					57.563	11.512
Total						753.021

h. Credit valuation adjustment (CVA) capital charge:

Current Period 30 June 2016	Exposure at default post CRM	Risk Weighted Amount
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (Including the 3 x multiplier)	-	-
(ii) Stressed VaR component (Including the 3 x multiplier)	-	-
All portfolios subject to the Standardised CVA capital charge	1.320.364	741.509
Total subject to the CVA capital charge	1.320.364	741.509

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

Current Period 30 June 2016									Total Credit Exposures(*)
Regulatory Portfolio / Risk weights	0%	10%	20%	50%	75%	100%	150%	Other	
Exposures to central governments or central banks	57.428	-	-	-	-	-	-	-	57.428
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to International organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	773.066	12.904	-	-	-	-	785.970
Exposures to corporates	-	-	-	-	-	580.627	-	-	580.627
Retail exposures	-	-	-	-	-	11.329	-	-	11.329
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher Risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short term credit assessments	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	57.428	-	773.066	12.904	-	591.956	-	-	1.435.354

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

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

j. Composition of collateral for CCR exposure:

Current Period 30 June 2016	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair Value of Collateral Received		Fair Value of Posted Collateral		Fair Value of Collateral Received	Fair Value of Posted Collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	847.058	-
Cash – other currencies	-	-	-	-	-	2.309.755
Domestic sovereign debt	-	-	-	-	-	883.825
Other sovereign debt	-	-	-	-	2.300.701	-
Government agency bonds	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total					3.147.759	3.193.580

k Standardised Approach Related to Market Risk:

Current Period 30 June 2016	Risk Weighted Amount
Outright Products	
Interest Rate Risk (general and specific)	379.638
Equity Risk (general and specific)	52.125
Foreign Exchange Risk	230.488
Commodity Risk	-
Options	
Simplified Approach	-
Delta-plus Method	4.799
Scenario Approach	-
Securitisation	-
Total	667.050

X. 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”.

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

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

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XII. EXPLANATIONS ON OPERATING SEGMENTS

The 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 June 2016					
Operating Income	526.548	265.463	159.420	-	951.431
Other	-	-	-	-	-
Operating Income	526.548	265.463	159.420	-	951.431
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(165.051)	53.933	124.145	(37.333)	(24.306)
Profit/(Loss) before Tax	(165.051)	53.933	124.145	(37.333)	(24.306)
Corporate Tax Provision (*)	-	-	-	(4.108)	(4.108)
Profit/(Loss) after Tax	(165.051)	53.933	124.145	(41.441)	(28.414)
Non-Controlling Interest	-	-	-	-	-
Net Profit/(Loss) for the Period	(165.051)	53.933	124.145	(41.441)	(28.414)
Segment Assets	7.159.634	11.316.983	9.732.537	-	28.209.154
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	7.159.634	11.316.983	9.767.290	270	28.244.177
Segment Liabilities	17.258.021	4.494.012	6.492.144	-	28.244.177
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	17.258.021	4.494.012	6.492.144	-	28.244.177
Other Segment Items	(280.179)	(4.601)	(2.927)	-	(287.707)
Capital Investment	-	-	-	-	-
Amortization	(19.191)	(4.601)	(1.752)	-	(25.544)
Impairment	-	-	(1.175)	-	(1.175)
Non-Cash Other Income-Expense (**)	(260.988)	-	-	-	(260.988)

(*) 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 2015					
Operating Income (***)	560.636	254.083	149.244	-	963.963
Other (***)	-	-	-	-	-
Operating Income (***)	560.636	254.083	149.244	-	963.963
Segment Net Profit (***)	-	-	-	-	-
Undistributed Cost (***)	-	-	-	-	-
Operating Profit/(Loss) (***)	(203.442)	36.819	112.179	(8.696)	(63.140)
Profit/(Loss) before Tax (***)	(203.442)	36.819	112.179	(8.696)	(63.140)
Corporate Tax Provision (*) (***)	-	-	-	7.546	7.546
Profit/(Loss) after Tax (***)	(203.442)	36.819	112.179	(1.150)	(55.594)
Non-Controlling Interest (***)	-	-	-	-	-
Net Profit/(Loss) for the Period (***)	(203.442)	36.819	112.179	(1.150)	(55.594)
Segment Assets	8.181.918	13.457.128	9.973.324	-	31.612.370
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	8.181.918	13.457.128	10.008.077	270	31.647.393
Segment Liabilities	18.838.586	5.388.985	7.419.822	-	31.647.393
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	18.838.586	5.388.985	7.419.822	-	31.647.393
Other Segment Items (***)	248.071	(4.668)	(2.333)	-	241.070
Capital Investment	-	-	-	-	-
Amortization	(21.045)	(4.668)	(1.925)	-	(27.638)
Impairment	-	-	(408)	-	(408)
Non-Cash Other Income-Expense (**)	269.116	-	-	-	269.116

(*) Corporate tax provision is not distributed.

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

(***) Items of income and expense are the amounts for the three month period ended 30 June 2015.

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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 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Cash/Foreign Currency	220.191	160.464	217.225	216.614
The CBRT	139.639	2.643.600	114.993	2.831.815
Other (*)	-	20.545	280	13.547
Total	359.830	2.824.609	332.498	3.061.976

(*) As of 30 June 2016, account of Precious Metal is amounting to TL 16.656, and the Bank money in transit is amounting to TL 3.889 . (31 December 2015: Precious metal TL 13.547, Money in Transit: 280).

2. Information related to balances with the CBRT:

	Current Period 30 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Unrestricted Demand Deposit	139.639	2.403	114.993	1.444
Unrestricted Time Deposit	-	-	-	-
Restricted Time Account	-	-	-	-
Reserve Requirements	-	2.641.197	-	2.830.371
Total	139.639	2.643.600	114.993	2.831.815

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 June 2016, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 5% - 11,50% (31 December 2015: 5% - 11,50%), for TL deposits and other liabilities, and between 9% - 13% for FC deposits (31 December 2015: 9% - 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.

For the liabilities to be realized after 28th August 2015, starting from the maintenance period of 23th October 2015, reserve requirement rate for Banks’ foreign currency liabilities in accordance with the structure of deposits and non-deposit liabilities to be kept by the Central Bank as reserve requirements are updated to between 5% and 25%. As of 28th August 2015, current rates are applied to the current liabilities until maturity.

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 June 2016	Prior Period 31 December 2015
Collateral/Blocked	564.165	114.475
Repurchase Agreement	35.090	245.434
Unrestricted	127.398	632.133
Total	726.653	992.042

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

	Current Period 30 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Forward Transactions	2.226	98.390	28.508	52.167
Swap Transactions	90.911	370.907	339.911	177.089
Futures Transactions	-	-	-	-
Options	-	93.794	-	53.759
Other	-	-	-	-
Total	93.137	563.091	368.419	283.015

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Banks				
Domestic	7	1	6	344.449
Foreign	48.443	1.495.290	58.389	92.914
Foreign Head Office and Branches	-	-	-	-
Total	48.450	1.495.291	58.395	437.363

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 June 2016	Prior Period 31 December 2015
Collateral/Blocked	284.235	6.430
Repurchase Agreement	822.336	546.167
Unrestricted	17.222	101.520
Total	1.123.793	654.117

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

	Current Period 30 June 2016	Prior Period 31 December 2015
Debt Securities	1.119.977	628.321
Quoted to Stock Exchange	1.119.977	628.321
Not Quoted	-	-
Share Certificate	6.327	29.635
Quoted to Stock Exchange	-	-
Not Quoted	6.327	29.635
Impairment Provision (-)	2.511	3.839
Total	1.123.793	654.117

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 June 2016		Prior Period 31 December 2015	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	314	205.256	-	214.994
Corporate Shareholders	314	205.256	-	214.994
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	84.900	508.440	20.399	523.499
Loans Granted to Employees	18.118	-	22.321	-
Total	103.332	713.696	42.720	738.493

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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	16.046.527	666.983	-	590.714	389.498	-
Commercial Loans	7.625.359	604.685	-	306.308	310.375	-
Export Loans	666.357	18.763	-	15.650	1.496	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	393.604	-	-	-	-	-
Consumer Loans	3.227.591	4.376	-	132.253	14.613	-
Credit Cards	2.905.744	36.988	-	126.730	61.344	-
Other (*)	1.227.872	2.171	-	9.773	1.670	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	16.046.527	666.983	-	590.714	389.498	-

(*) Includes the factoring receivables amounting to TL 408.126.

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Number of Extensions		
Extended by 1 or 2 times	650.505	386.662
Extended by 3, 4 or 5 times	16.478	2.836
Extended by more than 5 times	-	-
Total	666.983	389.498

	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended period of time		
0 – 6 Months	89.482	7.122
6 – 12 Months	137.363	4.133
1 – 2 Years	190.147	58.675
2 – 5 Years	234.522	161.154
5 years or more	15.469	158.414
Total	666.983	389.498

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	66.038	2.956.488	3.022.526
Mortgage Loans	28	1.140.926	1.140.954
Automotive Loans	79	6.942	7.021
Consumer Loans	65.931	1.801.006	1.866.937
Other	-	7.614	7.614
Consumer Loans- Indexed to FC	-	2.301	2.301
Mortgage Loans	-	2.280	2.280
Automotive Loans	-	-	-
Consumer Loans	-	21	21
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.006.359	99.647	3.106.006
Instalment	1.087.855	99.647	1.187.502
Non Instalment	1.918.504	-	1.918.504
Individual Credit Cards-FC	7.032	-	7.032
Instalment	-	-	-
Non Instalment	7.032	-	7.032
Personnel Loans-TL	549	11.436	11.985
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	549	11.436	11.985
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	6.094	-	6.094
Instalment	2.623	-	2.623
Non Instalment	3.471	-	3.471
Personnel Credit Cards-FC	39	-	39
Instalment	-	-	-
Non Instalment	39	-	39
Overdraft Account-TL (Individual)	342.021	-	342.021
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	3.428.132	3.069.872	6.498.004

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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	33.431	356.036	389.467
Mortgage Loans	-	2.236	2.236
Automotive Loans	-	2.000	2.000
Consumer Loans	33.431	351.800	385.231
Other	-	-	-
Commercial Instalment Loans- Indexed to FC	11.595	253.203	264.798
Mortgage Loans	-	8.763	8.763
Automotive Loans	-	9.151	9.151
Consumer Loans	11.595	235.289	246.884
Other	-	-	-
Commercial Instalment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	11.017	1	11.018
Instalment	1.985	1	1.986
Non Instalment	9.032	-	9.032
Corporate Credit Cards-FC	617	-	617
Instalment	-	-	-
Non Instalment	617	-	617
Overdraft Account-TL (Commercial)	33.871	-	33.871
Overdraft Account-FC (Commercial)	-	-	-
Total	90.531	609.240	699.771

6. Loans according to types of borrowers:

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

7. Domestic and foreign loans:

	Current Period 30 June 2016	Prior Period 31 December 2015
Domestic Loans	17.255.607	20.108.556
Foreign Loans	438.115	507.828
Total (*)	17.693.722	20.616.384

(*) Includes the factoring receivables amounting to TL 408.126 (31 December 2015: TL 584.068).

8. Loans granted to investments in associates and subsidiaries:

As of 30 June 2016 and 31 December 2015, the Bank has no loans granted to investments in associates and subsidiaries.

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9. Specific provisions provided against loans:

	Current Period	Prior Period
	30 June 2016	31 December 2015
Loans and Receivables with Limited Collectability	41.737	31.486
Loans and Receivables with Doubtful Collectability	110.917	145.851
Uncollectible Loans and Receivables	593.331	608.605
Total	745.985	785.942

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

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

	III. Group	IV. Group	V. Group
	Loans and Other	Loans and Other	Uncollectible
	Receivables with	Receivables with	Loans and Other
	Limited Collectability	Doubtful Collectability	Receivables
Current Period: 30 June 2016	5.206	6.430	12.191
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	5.206	6.430	12.191
Rescheduled Loans and Other Receivables			
Prior Period: 31 December 2015	2.812	10.185	16.941
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	2.812	10.185	16.941
Rescheduled Loans and Other Receivables	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans and Other	Loans and Other	Uncollectible
	Receivables with	Receivables with	Loans and Other
	Limited Collectability	Doubtful Collectability	Receivables
Balance at the end of Prior Period: 31 December 2015	175.867	319.357	749.801
Additions (+)	382.829	33	5.629
Transfers from Other Categories of Non-Performing Loans (+)	2.791	279.888	259.548
Transfers to Other Categories of Non-Performing Loans (-)	279.164	260.817	2.247
Collections (-)	35.455	73.964	21.761
Write-offs (-) (*)	-	20.129	266.476
Corporate and Commercial Loans	-	2.489	100.582
Retail Loans	-	5.493	56.879
Credit Cards	-	12.147	109.015
Other	-	-	-
Balance at the End of the Period: 30 June 2016	246.868	244.368	724.494
Specific Provisions (-)	41.737	110.917	593.331
Net Balance in Balance Sheet	205.131	133.451	131.163

(*) The bank has concluded the sale of non performing consumer loans and credit cards amounting to TL 179.676 for TL 21.227 and non performing corporate and commercial loans amounting TL 106.929 for TL 20.100 in 2016.

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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 June 2016			
Balance at the End of the Period	-	-	99
Specific Provisions (-)	-	-	81
Net Balance on Balance Sheet	-	-	18
Prior Period: 31 December 2015			
Balance at the End of the Period	-	-	330
Specific Provisions (-)	-	-	115
Net Balance on Balance Sheet	-	-	215

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 June 2016			
Loans granted to corporate entities and real persons (Gross)	246.868	244.368	724.494
Specific Provisions Amount (-)	41.737	110.917	593.331
Loans granted to corporate entities and real persons (Net)	205.131	133.451	131.163
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 2015	144.381	173.506	141.196
Loans granted to corporate entities and real persons (Gross)	175.867	319.357	749.801
Specific Provisions Amount (-)	31.486	145.851	608.605
Loans granted to corporate entities and real persons (Net)	144.381	173.506	141.196
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 judgement are taken. In case of obtaining no result in consequence of these actions, liquidation subject to requirements within the framework of legal regulations designated by the bank's top management occurs.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

12. Information on the write-off policy of the Bank:

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

f. Investments Held-to-maturity:

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

As of 30 June 2016 and 31 December 2015, the Bank has no investment held to maturity given as collateral/blocked and subject to repurchase agreements.

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

As of 30 June 2016 and 31 December 2015, the Bank has no investments as government debt securities held to maturity.

3. Information on investments held-to-maturity:

As of 30 June 2016 and 31 December 2015, the Bank has no investments held to maturity.

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

As of 30 June 2016 and 31 December 2015, the Bank has no investments of held to maturity movement.

g. Information on associates (Net):

The Bank has no associates as of 30 June 2016 and 31 December 2015.

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	2.248	1.955	11	-	-	1.365	1.233	-
2	26	24	-	-	-	(14)	(19)	-

(*) Prepared with the non-audited financial statements as of 31 December 2015.

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	96.660	82.819	384	3.095	1.421	10.540	12.408	-

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

(**) The prior period balances represent the amounts as of 30 June 2015.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

3. Movement schedule of the consolidated subsidiaries:

	Current Period	Prior Period
	30 June 2016	31 December 2015
Balance at the Beginning of the Period	34.753	34.753
Movements During the Period	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Increase/(decrease) of valuation	-	-
Balance at the End of the Period	34.753	34.753
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	99,87	99,87

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

	Current Period	Prior Period
	30 June 2016	31 December 2015
Subsidiaries		
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

5. Subsidiaries quoted on a stock exchange:

The Bank has no subsidiaries quoted on a stock exchange as of 30 June 2016 and 31 December 2015.

i. Information on jointly controlled entities:

1. The Bank has no jointly controlled entities as of 30 June 2016 and 31 December 2015.
2. As of 30 June 2016 and 31 December 2015, the accounting method is not determined since the Bank has no jointly controlled entities.

j. Information on finance lease(Net):

As of 30 June 2016 and 31 December 2015, 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 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	14.387	-	20.666	-
Foreign Net Investment Hedge	-	-	-	-
Total	14.387	-	20.666	-

l. Explanations on property and equipment:

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

m. Information on intangible assets:

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

n. Information on the investment properties:

As of 30 June 2016 and 31 December 2015, the Bank has no investment properties.

o. Information on deferred tax asset:

The Bank’s deferred tax assets as of 30 June 2016 are explained in Note XVIII of Section Three.

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

As of 30 June 2016, assets held for resale of the Bank is TL 3.016 (31 December 2015: TL 3.444).

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 June 2016	Prior Period 31 December 2015
Miscellaneous Receivables	200.701	129.038
Debited Suspence Accounts	126.629	114.474
Prepaid expenses	49.052	42.695
Other Rediscount Income	8.280	13.925
Other Assets	389	430
Total	385.051	300.562

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

As of 30 June 2016 and 31 December 2015, 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 June 2016:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	495.594	-	1.025.488	3.580.467	204.044	49.676	33.602	-	5.388.871
Foreign Currency Deposits	2.084.997	-	2.426.849	4.246.957	169.253	97.520	54.011	-	9.079.587
Residents in Turkey	1.785.334	-	2.310.051	3.687.766	128.923	71.662	22.303	-	8.006.039
Residents Abroad	299.663	-	116.798	559.191	40.330	25.858	31.708	-	1.073.548
Public Sector Deposits	119.588	-	-	-	-	-	-	-	119.588
Commercial Deposits	323.013	-	1.001.673	237.762	1.087	1.687	2.354	-	1.567.576
Other Institutions Deposits	9.841	-	22.282	7.823	35	14	63	-	40.058
Precious Metal Deposit	216.673	-	697	52.665	2.573	3.668	-	-	276.276
Bank Deposits	59.275	-	460.608	-	-	-	-	-	519.883
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	451.113	-	-	-	-	-	451.113
Foreign Banks	59.275	-	9.495	-	-	-	-	-	68.770
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.308.981	-	4.937.597	8.125.674	376.992	152.565	90.030	-	16.991.839

1(ii). Prior Period - 31 December 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	492.572	-	1.399.599	4.450.241	133.484	57.572	45.617	-	6.579.085
Foreign Currency Deposits	2.027.260	-	2.271.819	5.305.202	170.326	108.298	63.515	-	9.946.420
Residents in Turkey	1.711.142	-	2.130.534	4.731.113	118.768	81.121	25.484	-	8.798.162
Residents Abroad	316.118	-	141.285	574.089	51.558	27.177	38.031	-	1.148.258
Public Sector Deposits	94.439	-	-	-	-	-	-	-	94.439
Commercial Deposits	427.419	-	1.001.479	604.159	3.336	4.430	3.786	-	2.044.609
Other Institutions Deposits	20.840	-	2.657	13.598	104	45	76	-	37.320
Precious Metal Deposit	236.379	-	-	34.716	1.824	3.653	153	-	276.725
Bank Deposits	58.240	-	19.521	-	-	-	-	-	77.761
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	8.898	-	19.521	-	-	-	-	-	28.419
Foreign Banks	49.342	-	-	-	-	-	-	-	49.342
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.357.149	-	4.695.075	10.407.916	309.074	173.998	113.147	-	19.056.359

2. Information on saving deposits insurance:

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period 30 June 2016	Prior Period 31 December 2015	Current Period 30 June 2016	Prior Period 31 December 2015
Saving Deposits	3.177.238	3.691.680	2.125.836	2.772.740
Foreign Currency Saving Deposits	1.786.512	1.807.137	4.885.130	5.124.312
Other Deposits in the Form of Saving Deposits	11.693	12.621	56.351	55.859
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	135.357	157.247	136.935	165.793
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	5.110.800	5.668.685	7.204.252	8.118.704

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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 June 2016	Prior Period 31 December 2015
Foreign Branches' Deposits and other accounts	136.935	165.793
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wordship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wordship	12.283	9.096
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26/09/2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 30 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Forward Transactions	42.260	30.985	16.306	61.093
Swap Transactions	300.785	152.019	83.613	141.810
Future Transactions	-	-	-	-
Options	-	94.839	-	54.346
Other	-	-	-	-
Total	343.045	277.843	99.919	257.249

c. Information on repurchase agreements:

As of 30 June 2016, the Bank has repurchase agreements amounting to TL 847.057 (31 December 2015: TL 790.709).

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 30 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	6.638	3.734	9.650	2.919
Foreign Banks, Institutions and Funds	409.837	3.662.457	612.735	4.726.289
Total	416.475	3.666.191	622.385	4.729.208

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

2. Information on maturity structure of funds borrowed:

	Current Period 30 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Short-term	6.638	32.880	9.650	336.084
Medium and Long-term	409.837	3.633.311	612.735	4.393.124
Total	416.475	3.666.191	622.385	4.729.208

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

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

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 2015: 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 June 2016	Prior Period 31 December 2015
Less Than 1 Year	18.708	31.372
Between 1- 4 Years	5.779	13.624
More Than 4 Years	726	2.978
Total	25.213	47.974

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g. Information on derivative financial liabilities for hedging purposes:

	Current Period 30 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	39.134	-	10.800	-
Hedge of net investment in foreign operations	-	-	-	-
Total	39.134	-	10.800	-

h. Information on provisions:

1. Information on general provisions:

	Current Period 30 June 2016	Prior Period 31 December 2015
General Provisions	422.851	457.075
Provisions for First Group Loans and Receivables	285.808	325.078
- Additional Provision for Loans and Receivables with Extended Maturities	23.644	22.606
Provisions for Second Group Loans and Receivables	32.679	30.017
- Additional Provision for Loans and Receivables with Extended Maturities	16.749	16.083
Provisions for Non-Cash Loans	28.309	43.194
Other	35.662	20.097

2. Information on employee benefit provisions:

As of 30 June 2016 the Bank has employee termination benefit provision amounting to TL 52.103 (31 December 2015: TL 54.125), and unused vacation provision amounting to TL 10.531 (31 December 2015: TL 5.941).

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 June 2016 is TL 4.092,53 (full TL) (31 December 2015: TL 3.828,37 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

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

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Bank is calculated from the ceiling amount valid from 1 January 2016, TL 4.092,53 (full TL) (31 December 2015: TL 3.828,37 (full TL)).

	Current Period 30 June 2016	Prior Period 31 December 2015
Balances at End of Prior Period	54.125	28.384
Provision booked in current period	14.988	34.586
Reversal of previous year provision (-)	1.209	-
Provision paid in current period (-)	15.801	8.845
Balances at End of the Period	52.103	54.125

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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 June 2016, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 21.302 (31 December 2015: TL 16.676), 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 June 2016, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 171 (31 December 2015: TL 174).

5. Information on other provisions:

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

As of 30 June 2016 and 31 December 2015, 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:

	Current Period 30 June 2016	Prior Period 31 December 2015
Unpaid cheques received on time	19.650	24.157
Provision for lawsuits	17.108	13.662
Provision for accumulated credit card bonus	5.789	6.270
Return provision of case file expenses	3.797	4.111
Specific provision for non-cash loans that are non-funded and non-transformed into cash	171	174
Other Provisions (*)	32.652	24.918
Total	79.167	73.292

(*) Bank is recognized a provision of TL 22 thousand in June 2016 financials for the associated restructuring costs where the details are given in Note II of Section One.

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 June 2016	Prior Period 31 December 2015
Corporate Taxes Payable	806	1.318
Taxation on Marketable Securities	12.004	14.153
Capital Gains Tax on Property	1.017	1.162
Banking Insurance Transaction Tax (BITT)	12.380	13.374
Foreign Exchange Transaction Tax	14	14
Value Added Tax Payable	1.394	1.993
Other (*)	16.809	12.589
Total	44.424	44.603

(*) As of 30 June 2016, consists of payroll tax amounting to TL 8.865 (31 December 2015: TL 10.171, stamp tax amounting to TL 287 (31 December 2015: TL 273) and other taxes amounting to TL 7.657 (31 December 2015: TL 2.138), and the Bank has no self-employed income tax (31 December 2015: TL 7).

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

1 (ii). Information on premium payables:

	Current Period 30 June 2016	Prior Period 31 December 2015
Social Security Premiums – Employee	3.865	3.440
Social Security Premiums – Employer	4.321	3.870
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	289	258
Unemployment Insurance – Employer	607	546
Other	-	-
Total	9.082	8.114

2. Information on deferred tax liability:

Information on the Bank’s deferred tax liability as of 30 June 2016 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 June 2016 and 31 December 2015, 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 June 2016	Prior Period 31 December 2015
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

Amount of paid-in capital has presented in notional amount. As of 30 June 2016, 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:

The Bank has no privileges given to shares representing the capital.

8. Information on marketable securities value increase fund:

	Current Period 30 June 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Valuation Difference	26.293	-	(4.190)	20.328
From Investments in Associates, Subsidiaries, and Jointly Controlled Entities	-	-	-	-
Translation Difference	-	-	-	-
Total	26.293	-	(4.190)	20.328

9. Information on revaluation value increase fund:

As of 30 June 2016 and 31 December 2015, the Bank has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period 30 June 2016	Prior Period 31 December 2015
First Legal Reserve	137.660	136.294
Second Legal Reserve	45.444	45.444
Legal Reserves according to Special Legislation	-	-
Total	183.104	181.738

11. Information on extraordinary reserves:

	Current Period 30 June 2016	Prior Period 31 December 2015
Reserves Allocated per General Assembly Minutes	1.450.828	1.783.650
Retained Earnings	97.844	97.844
Accumulated Loss	-	-
Translation Difference	-	-
Total	1.548.672	1.881.494

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 June 2016	Prior Period 31 December 2015
Asset Purchase and Sale Commitments	10.558.993	24.022.597
Commitments for Credit Card Limits	5.055.623	5.373.983
Commitments for Cheques	536.158	545.564
Loan Granting Commitments	456.988	501.356
Short Sale Commitments	57.802	50
Commitments for Credit Cards and Banking Services Promotions	19.496	20.325
Tax and Fund Liabilities from Export Commitments	5.590	5.330
Deposit Purchase and Sales Commitments	-	-
Other Irrevocable Commitments	850.561	968.711
Total	17.541.211	31.437.916

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 June 2016	Prior Period 31 December 2015
Letters of Guarantee	1.622.928	1.668.371
Letters of Credit	494.414	595.235
Bank Acceptances	216.229	470.727
Other Guarantees	289.092	339.952
Total	2.622.663	3.074.285

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

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

3. Information on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 30 June 2016	Prior Period 31 December 2015
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	2.622.663	3.074.285
Total	2.622.663	3.074.285

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:

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

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

None.

d. Explanations on contingent liabilities and assets:

Contingent assets are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 30 June 2016, there is no contingent asset to be disclosed.

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

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 June 2016, the total amount of these lawsuits filed against the Bank is TL 41.179 (31 December 2015: TL 47.857). A total provision of TL 20.905 (31 December 2015: TL 18.205) 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 3.797 (31 December 2015: TL 4.111) being for provisions for refunds related to case document charges.

e. 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 30 June 2016		Prior Period 30 June 2015	
	TL	FC	TL	FC
Short-term Loans	510.269	19.412	466.854	22.952
Medium and Long-Term Loans	316.216	96.833	364.766	84.115
Interest on Loans Under Follow-Up	17.261	-	14.556	-
Total	843.746	116.245	846.176	107.067

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

2. Information on interest income received from banks:

	Current Period 30 June 2016		Prior Period 30 June 2015	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	1.874	1.407	69.275	664
From Foreign Banks	1.658	436	447	253
Headquarters and Branches Abroad	-	-	-	-
Total	3.532	1.843	69.722	917

3. Information on interest income on marketable securities:

	Current Period 30 June 2016		Prior Period 30 June 2015	
	TL	FC	TL	FC
Financial Assets Held For Trading	41.669	279	38.621	260
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	43.565	-	19.486	-
Investments Held to Maturity	-	-	-	-
Total	85.234	279	58.107	260

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

As of 30 June 2016 and 30 June 2015, the Bank has no interest income received from investments in associates and subsidiaries.

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

b. Information on interest expense:

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

	Current Period 30 June 2016		Prior Period 30 June 2015	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	468	82	472	8
Foreign Banks	43.062	83.544	82.513	61.427
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	43.530	83.626	82.985	61.435

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

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

	Current Period 30 June 2016	Prior Period 30 June 2015
Interest Expenses Given to Subsidiaries and Associates	1.844	1.627

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 June 2016	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	11.246	-	-	-	-	-	11.246
Saving deposits	-	61.921	224.061	9.148	2.523	1.850	-	299.503
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	35.793	19.521	144	177	112	-	55.747
Other deposits	-	82	495	4	-	3	-	584
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	109.042	244.077	9.296	2.700	1.965	-	367.080
Foreign Currency								
Foreign currency deposits	-	11.600	37.988	1.177	696	331	-	51.792
Interbank deposits	-	263	-	-	-	-	-	263
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	248	15	20	-	-	283
Total	-	11.863	38.236	1.192	716	331	-	52.338
Grand Total	-	120.905	282.313	10.488	3.416	2.296	-	419.418

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Prior Period: 30 June 2015	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	2.493	-	-	-	-	-	2.493
Saving deposits	-	161.693	173.313	15.293	4.519	2.938	-	357.756
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	48.545	13.214	1.987	472	129	-	64.347
Other deposits	-	185	453	5	3	3	-	649
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	212.916	186.980	17.285	4.994	3.070	-	425.245
Foreign Currency								
Foreign currency deposits	-	11.035	26.555	1.297	680	918	-	40.485
Interbank deposits	-	6	-	-	-	-	-	6
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	205	15	20	-	-	240
Total	-	11.041	26.760	1.312	700	918	-	40.731
Grand Total	-	223.957	213.740	18.597	5.694	3.988	-	465.976

5. Information on interest given on repurchase agreement:

The Bank has interest given on repurchase agreement amounting to TL 27.189 during the period ended on 30 June 2016 (30 June 2015: TL 29.747)

6. Information on finance lease expense:

The Bank has no finance lease expense during the period ended on 30 June 2016 and 30 June 2015.

7. Information on interest given on factoring payables:

The Bank has no interest given on factoring payables during the period ended on 30 June 2016 and 2015.

c. Explanations on dividend income:

As of 30 June 2016, the share of the Bank in the dividend distribution of its subsidiaries is TL 19.896 (30 June 2015: TL 16.724).

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

1. Trading income/loss (net):

	Current Period 30 June 2016	Prior Period 30 June 2015
Profit	41.561.539	39.610.614
Capital Market Transactions Income	50.991	31.412
Gain on Derivative Financial Transactions	2.945.745	4.222.656
Foreign Exchange Gains	38.564.803	35.356.546
Loss (-)	41.495.524	39.635.926
Capital Market Transactions Loss	10.629	37.424
Loss on Derivative Financial Transactions	2.985.597	3.548.108
Foreign Exchange Loss	38.499.298	36.050.394
Total (Net)	66.015	(25.312)

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

2. Information on derivative instruments gain/loss:

	Current Period 30 June 2016	Prior Period 30 June 2015
Effect of the change in exchange rates on profit/loss	(182.311)	598.903
Effect of the change in interest rates on profit/loss	142.459	75.645
Total (Net)	(39.852)	674.548

e. Information on other operating income:

	Current Period 30 June 2016	Prior Period 30 June 2015
Reverse of previous years expenses	100.915	64.702
Gain on sale of non-performing loan(*)	41.327	-
Provision for telecommunication expense	1.424	1.025
Gain on sale of assets	615	17.655
Gain on Visa valuation	31.843	-
Other income	11.504	15.991
Total	187.628	99.373

(*) Includes income from sale of non performing consumer loans for TL 21.227, and non performing corporate and commercial loans for TL 20.100.

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

	Current Period 30 June 2016	Prior Period 30 June 2015
Specific Provisions for Loans and Other Receivables	289.210	299.581
III. Group Loans and Receivables	41.435	18.574
IV. Group Loans and Receivables	86.159	57.757
V. Group Loans and Receivables	161.616	223.250
General Provision Expenses	-	59.239
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	1.175	408
Financial Assets at Fair Value Through Profit or Loss	97	55
Available-for-sale Financial Assets	1.078	353
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	25.946	5.976
Total	316.331	365.204

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IV. EXPLANATIONS AND NOTES TO INCOME STATEMENT (Continued)

g. Information related to other operating expenses:

	Current Period 30 June 2016	Prior Period 30 June 2015
Personnel Expenses	295.198	288.486
Reserve for Employee Termination Benefits	12.654	5.514
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	15.350	18.652
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	10.157	8.952
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	38	34
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	181.583	205.077
Operational Lease Expenses	80.752	78.718
Maintenance Expenses	16.838	16.861
Maintenance License Expenses	15.777	13.204
Communication Expenses	14.231	18.269
Banking Services Promotion Expenses	9.275	12.848
Transportation Expenses	7.251	7.526
Building Expenses	6.270	6.781
Advertisement Expenses	5.383	18.061
Cleaning Expenses	5.335	7.189
Insurance Expenses	4.013	4.125
Monthly Payment Expenses	2.168	5.255
Other Expenses	14.290	16.240
Tax, Duties, Charges and Funds Expenses	28.331	29.061
Saving Deposit Insurance Fund Expenses	21.928	25.489
Cancellation Fee Expenses	15.740	15.061
Audit and Consultancy Fee	8.562	7.705
Printing Expenses	1.485	2.318
Loss on Sales of Assets	3.750	679
Other	64.630	54.871
Total	659.406	661.899

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

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

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

As of 30 June 2016, the Bank has corporate tax provision expense amounting to TL 1.197 (30 June 2015: TL 4.002 expense) and deferred tax expense amounting to TL 2.911 (30 June 2015: TL 11.548 income).

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

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

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

k. Explanation on net profit and loss:

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

Net interest income, amounting to TL 480.167 (30 June 2015: TL 624.261), net wage and commission income amounting to TL 197.302 (30 June 2015: TL 248.917) have an important role among the income items in the interim accounting period ending on 30 June 2016. 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 June 2016	Prior Period 30 June 2015
Credit Card Transactions	145.524	164.550
Insurance Commissions	25.505	38.237
Commissions Received from Banking Transactions	19.406	34.572
Tefas Fund Platform	5.589	6.949
Other Fee and Commissions	11.968	19.072
Total	207.992	263.380

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:

None.

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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 June 2016:

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	-	168	20.399	738.493	-	-
Closing Balance	-	166	85.214	713.696	-	-
Interest and Commissions Income	-	1	1.593	484	-	-

Prior Period - 31 December 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	20.399	738.493	-	-
Interest and Commissions Income(*)	-	-	270	391	-	-

(*) The prior period balances present amounts of 30 June 2015.

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 June 2016	Prior Period 31 December 2015	Current Period 30 June 2016	Prior Period 31 December 2015	Current Period 30 June 2016	Prior Period 31 December 2015
Deposit						
Opening Balance	40.335	30.974	49.079	37.517	9.252	6.227
Closing Balance	28.495	40.335	59.098	49.079	10.214	9.252
Interest expense on deposits (*)	1.844	1.627	-	-	320	320

(*) The prior period balances present amounts of 30 June 2015.

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 30 June 2016	Prior Period 31 December 2015	Current Period 30 June 2016	Prior Period 31 December 2015	Current Period 30 June 2016	Prior Period 31 December 2015
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	61.011.511	82.048.760	-	-
Closing Balance	-	-	58.249.306	61.011.511	-	-
Total Profit/Loss(*)	-	-	317.186	344.546	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	1.003.370	2.474.505	-	-
Closing Balance	-	-	997.420	1.003.370	-	-
Total Profit/Loss (*)	-	-	190	530	-	-

(*) The prior period balances present amounts of 30 June 2015.

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

As of 30 June 2016, payment is made to top executives of the Bank amounting to TL 12.538 (30 June 2015: TL 9.343).

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

Information on the Bank’s domestic and foreign branches and foreign representatives of the Bank:

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

IX. EXPLANATIONS AND NOTES TO THE SUBSEQUENT EVENTS

Central Bank of the Republic of Turkey has declared 50 basis points decrease for Turkish Lira reserve requirement rates for all maturity buckets as of 12 August 2016.

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SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

As of 30 June 2016, 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 12 August 2016 is presented before to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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SECTION SEVEN

INTERIM ACTIVITY REPORT

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

GENERAL INFORMATION

1. Summary information about HSBC Bank A.Ş.

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

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

HSBC Bank expanded its products and services range with a branch network after HSBC Bank Plc. acquired Demirbank T.A.Ş. and its selected affiliates in September 2001 and merged with HSBC Bank A.Ş. in December 2011.

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

HSBC Bank provides services within fields such as Corporate Banking and Investment Banking, Retail Banking and Savings Management and with its branches, telephone banking, ATM banking, and digital banking channels.

2. Capital and shareholding structure

HSBC Bank made no changes in their capital and shareholding structure in 1 January – 30 June 2016. HSBC Bank Plc.'s shareholding rate is 99,99%. HSBC's Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of 30 June 2016 HSBC Bank's paid-in capital is 652.290.000TRY and its capital structure is as follows:

Shareholder's name and surname/title	Number of shares	Share amount (TRY)
Publicly offered	-	-
Non-publicly offered	65.290.000.000	652.290.000,00
HSBC Bank Plc.	65.289.999.600	652.289.996,00
Midcorp Limited	100	1,00
HSBC International Financial Services (UK) Ltd	100	1,00
Griffin International Limited	100	1,00
EMITT Limited	100	1,00
Total	65.290.000.000	652.290.000,00

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3. Information on Branches and Personnel

As of 30 June 2016, the Bank has 187 branches dispersed throughout the country and 4 branches operating abroad (31 December 2015: 280 branches and 4 branches operating abroad). As of 30 June 2016, the number of employees of the Bank is 4.159 (31 December 2015: 4.997)

4. Amendments made to the articles of association during the period

HSBC Bank’s Articles of Association had no changes in 1 January – 30 June 2016 period.

5. Chairman and Members of the Board of Directors (*)

HSBC Bank A.Ş. Board of Directors as of 30 June 2016:

Name	Title
Brian Robertson	Chairman
Hamit Aydoğan (**)	Chairman Deputy
James Alasdair Emmett	Member and CEO
Mehmet Gani Sönmez	Member
Paul Hagen	Member
Ian Simon Jenkins	Member
Edward Micheal Flanders	Member
Lütfiye Yeşim Uçtum	Member
David Anthony Hartnett (***)	Member

(*) Per the Board Decision no.13583 dated 17 May 2016, Süleyman Selim KERVANCI is appointed as Member of the Board of Directors as of 1 July 2016.

(**) Per the Board Decision no.13572 dated 4 May 2016, Hamit AYDOĞAN is appointed as Deputy Chairman of the Board as of 1 June 2016 to replace Martin David SPURLING following his resignation as Deputy Chairman of the Board on 31 May 2016.

(***) Per the Board Decision no.13572 dated 4 May 2016, David Anthony HARTNETT is appointed as Member of the Board of Directors as of 1 June 2016 to replace Martin David SPURLING following his resignation as Member of the Board of Directors on 31 May 2016.

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6. Audit Committee

HSBC Bank A.Ş. Audit Committee was selected from members of the Board of Directors and consists of one chairman and two members who do not have operational duties. The members as of 30 June 2016 are as follows:

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

Audit Committee is in charge and responsible for:

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

The Committee was also assigned responsibility for units within the Internal Systems. The Committee meets four times a year, at least, and might meet more often depending on the decision to be made.

7. Executive Management

HSBC Bank A.Ş. Executive Management as of 30 June 2016:

Name	Title	Area of Responsibility
James Alasdair Emmett (*)	CEO	HSBC Bank A.Ş.
Necdet Murat Şarsel	Deputy CEO	Credit and Risk
Rüçhan Çandar	Deputy CEO	Technology and Services
Ayşe Yenel (**)	Executive Vice President	Retail Banking
Ali Dündar Parlar	Executive Vice President	Internal Systems and Regulations
Ali Batu Karaali	Executive Vice President	Treasury and Capital Markets
Burçin Ozan	Executive Vice President	Finance
Şengül Demircan	Executive Vice President	Human Resources
Sait Burak Zeylan	Executive Vice President	Commercial Banking
Hulusi Horozoğlu	Executive Vice President	Global and Investment Banking
Tolga Tüzüner	Head Legal Advisor	Legal

(*) Per the Board Decision no.13583 dated 17 May 2016, Süleyman Selim KERVANCI is appointed as Chief Executive Officer as of 1 July 2016 to replace James Alasdair EMMETT following his resignation as Chief Executive Officer on 30 June 2016 provided that his duties as Member of the Board of Directors shall continue.

(**) Per the Board Decision no.13553 dated 15 April 2016, Ayşe YENEL is appointed as Interim Executive Vice President as of 1 May 2016 to replace Taylan TURAN.

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8. HSBC Bank’s Financial Power Rating

According to Moody’s Credit Rating Institution’s evaluations, HSBC Bank A.Ş.’s rating as of 30 June 2016 is as follows:

Definitions	Rating
Baseline Credit Assessment	b1
Outlook	Negative
Long-term foreign currency deposit rating	Ba2
Long-term TRY deposit rating	Ba2
Short-term foreign currency deposit rating	NP
Short-term TRY deposit rating	NP
Long-term national scale TRY deposit	A2.tr

According to Standard & Poor’s’ assessment, HSBC Bank A.Ş.’s ratings as of 30 June 2016 were as follows:

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

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FINANCIAL INFORMATION AND EVALUATIONS ON THE BANK REGARDING INTERIM PERIOD

1. Summary of unconsolidated financial information for the period

According to unconsolidated financial statements, for the period ending on 30 June 2016 HSBC Bank's total assets realised at 28.2 billion TRY decreasing by 10,8% compared to the end of 2015. Credits, which form nearly 67% of the assets, seem to be around 19 billion TRY gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around 17 billion TRY and formed 60% of liabilities. The balance sheet's unconsolidated items groups' period-end balances on the relevant dates and quarterly changes are shown below.

ASSETS (Thousand TL)	30.06.2016	31.12.2015	Variance
Cash balances with central bank	3.184.439	3.394.474	(6,19%)
Financial assets at fair value through profit or (loss) (net)	1.382.881	1.643.476	(15,86%)
Banks	1.543.741	495.758	211,39%
Money markets	2.309.755	3.879.540	(40,46%)
Available-for-sale financial assets (net)	1.123.793	654.117	71,80%
Loans and receivables	17.755.341	20.491.399	(13,35%)
Factoring receivables	408.126	584.068	(30,12%)
Subsidiaries (net)	35.023	35.023	0,00%
Hedging derivative financial assets	14.387	20.666	(30,38%)
Property and equipment (net)	70.437	87.564	(19,56%)
Intangible assets (net)	28.187	33.775	(16,54%)
Tax asset	-	23.527	(100,00%)
Assets held for resale and related to discontinued operations (net)	3.016	3.444	(12,43%)
Other assets	385.051	300.562	28,11%
Total Assets	28.244.177	31.647.393	(10,75%)

LIABILITIES (Thousand TL)	30.06.2016	31.12.2015	Variance
Deposits	16.991.839	19.056.359	(10,83%)
Trading derivative financial liabilities	620.888	357.168	73,84%
Borrowings	4.082.666	5.351.593	(23,71%)
Money markets	847.057	790.709	7,13%
Miscellaneous payables	390.552	655.219	(40,39%)
Other liabilities	415.489	471.780	(11,93%)
Hedging derivative financial liabilities	39.134	10.800	262,35%
Provisions	564.652	590.433	(4,37%)
Tax liability	53.506	52.717	1,50%
Subordinated loans	1.608.692	1.651.009	(2,56%)
Shareholders' equity	2.629.702	2.659.606	(1,12%)
Total Liabilities	28.244.177	31.647.393	(10,75%)

Information related to HSBC Bank's unconsolidated income statement for 30 June 2016 and 30 June 2015 were shown below with the changes.

STATEMENT OF INCOME (Thousand TL)	30.06.2016	30.06.2015	Variance
Net interest income	480.617	624.261	(23,01%)
Other operating income	470.814	339.702	38,60%
Total operating income	951.431	963.963	(1,30%)
Other operating expenses (-)	659.406	661.899	0,38%
Provision for loan losses and other receivables (-)	316.331	365.204	13,38%
Net operating income/(loss)	(24.306)	(63.140)	61,50%
Tax provision (-)	4.108	(7.546)	(154,44%)
NET PROFIT/(LOSS) FOR THE PERIOD	(28.414)	(55.594)	48,89%

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Message from Brian Robertson, Chairman

Nearly eight years after the start of the global financial crisis, the world economy remains fragile. Stubbornly weak investment and world trade growth, global disinflationary pressures, and high debt burdens all leave markets vulnerable to any tremors.

Markets seem to have stabilised following the Brexit vote; however, one of the implications of this event is that businesses and consumers will likely attach a much higher degree of uncertainty to other looming political milestones, be it the Italian referendum on constitutional change in October or the US presidential election in November. Meanwhile, countless European summits undoubtedly lie ahead in which the remaining 27 EU members will try to agree on a cohesive response to the Brexit outcome – all at a time when key elections loom in Germany and France in 2017.

Against this challenging backdrop, the Turkish economy has outperformed expectations, achieving 5,7% and 4,8% GDP growth in 4Q15 and 1Q16, respectively. In 1Q16, household and public sector spending added 6,0pp to headline growth, while net exports were a drag of 1.5pp and investment growth was stagnant.

Following the domestic political developments that occurred in July, the economic administration in Turkey has taken all necessary measures to ensure normal functioning of markets. Consequently, the financial sector, which is liquid and well-capitalised, has remained stable.

Turning to HSBC Turkey (HBTR), over 1H16 the Bank took several important steps to leverage its competitive advantages and enhance its wholesale and premium retail business. Key initiatives included major investments in core banking IT infrastructure, measures to further align our wholesale strategy with Group strengths, and strategic actions to re-focus the branch network. Ultimately, these initiatives will provide greater value to our customers and give our bank a strong foundation for long-term profitability.

I would like to thank the board, management team, our colleagues and our clients for their commitment to HSBC.

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Message from Süleyman Selim Kervancı , CEO

The Turkish economy grew by 4,8% over 1Q16, which was above expectations. The key drivers were household and public sector spending, while exports and private investment remained weak. In light of the first quarter results, HSBC has raised its full-year 2016 growth forecast for Turkey from 2,4% to 2,9%.

Given reduced corporate sector profitability and the slow pace of recovery in external demand, HSBC expects private sector investment in Turkey to remain subdued going forward. On the positive side of the ledger, we anticipate that the current account deficit will remain low by recent historical standards (at around 4,5% of GDP at YE16) and that the government's debt to GDP ratio will remain relatively low (at around 32% at YE16).

Net income in the Turkish banking sector was TRY 13.9bn as of YTD MAY16, up 27% year-on-year. This improvement was partly driven by expanding spreads due to a drop in deposit costs and stronger industry-wide cost management. Meanwhile, rising provisions exerted downward pressure on sector profits, partly driven by challenges in the SME segment and continued Turkish lira depreciation against the USD.

Following the domestic political developments that occurred in July, the economic administration in Turkey has taken all necessary measures to ensure normal functioning of markets. Consequently, the financial sector, which is liquid and well-capitalised, has remained stable.

Turning to HSBC Turkey (HBTR), over 1H16 the Bank took several important steps to leverage its competitive advantages and enhance its wholesale and premium retail business. Key initiatives included major investments in core banking IT infrastructure, measures to further align our wholesale strategy with Group strengths, and strategic actions to re-focus the branch network. Ultimately, these initiatives will provide greater value to our customers and give our bank a strong foundation for long-term profitability.

Over the first six months of 2016, the restructuring programme led to a reduction in the HBTR balance sheet, with the loan portfolio falling 13.5% over YE15, to TRY 19bn, and deposits decreasing 10,8% over YE15, to TRY 17bn. As of 2Q16, the HBTR NPL ratio was 6,4% and the capital adequacy ratio was 18,23%, above the Banking Regulation and Supervision Agency (BRSA) target minimum ratio of 12%.

As of YTD June 2016, operating income fell 1,3% from 1H15, to TRY 951m, and total operating expenses decreased 0,4% from 1H15, to TRY 659m. Driven by restructuring costs, HBTR recorded a loss before tax of TRY 24m in 1H16. Our cost/income ratio was 69%.

I would like to thank my management team, our colleagues and our customers for their commitment.

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THE INTERIM PERIOD (Continued)**

Additional Information on Period Between 01.01.2016-30.06.2016

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.

On 22 February 2016 HSBC Group announced that the process to sell HSBC Turkey had concluded with a decision to retain the business. In line with this decision, Bank took several important steps in the first half of 2016 to enhance its wholesale and premium positioning, and strategic actions to re-focus the branch network. These initiatives will provide the Bank a strong foundation for long-term profitability.

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