

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

**HSBC BANK A.Ş.**

**PUBLICLY ANNOUNCED  
CONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH REVIEW REPORT  
AT 30 SEPTEMBER 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 consolidated balance sheet of HSBC Bank A.Ş. ("the Bank") and its subsidiaries at 30 September 2016 and the related consolidated income statement, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the 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 consolidated financial statements do not give a true view of the financial position of HSBC Bank A.Ş. and its subsidiaries at 30 September 2016 and of the results of its operations and its cash flows for the nine-month-period then ended in all aspects in accordance with the 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 consolidated 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 consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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, 24 November 2016



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

**CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S. AND ITS FINANCIAL  
AFFILIATES AS OF AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016**

Address of Bank's Headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli 34394, İstanbul  
Telephone/Fax : (0212) 376 40 00 / (0212) 336 29 39  
Web-site : www.hsbc.com.tr  
Contact E-mail Address : muhaberat@hsbc.com.tr

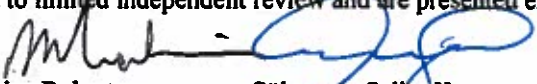
The consolidated financial report for the nine month period prepared in accordance with Communiqué on the Financial Statements and the Related Disclosures and Footnotes to be Publicly Announced as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

Our subsidiaries, affiliates and jointly controlled partnership of which financial statements have been consolidated within the framework of this period's consolidated financial statements are:

	Participations	Subsidiaries	Investments
1.	HSBC Yatırım ve Menkul Değerler A.Ş.	-	-

The consolidated financial statements for the nine 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  
Finance  
Assistant General  
Manager

  
Yerliozan KİM  
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  
Fax : (0212) 376 4912

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016**

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

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE PARENT BANK**

**I. THE PARENT 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”, “the Parent Bank”, “HSBC Bank”) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The Bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224 100% of the shares of the Bank is owned by HSBC Bank Plc which is a bank established in England. On 20 September 2001 the ‘Share Sales Agreement’ regarding the sale of all shares of Demirbank T.A.Ş. which was under in Saving Deposit Insurance Fund was signed by the Bank’s main share holder HSBC Bank Plc. According to this agreement the required procedures shall be completed by 31 October 2001 and all shares of the Demirbank T.A.Ş., together with a part of the assets and liabilities shall be transferred to HSBC Bank Plc on 31 October 2001. In 14 December 2001, Demirbank T.A.Ş. and the Bank merged under the name of HSBC Bank Anonim Şirketi and continued its activities. On 19 September 2002, the Bank has signed the share sales agreement with Benkar Tüketici Finansmanı ve Kart Hizmetleri A.Ş. (“Benkar”) and acquired all shares of Benkar. On 25 December 2002 according to both Benkar’s and the Bank’s board of directors’ minute all assets and liabilities of Benkar is transferred to the Bank.

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

As of 30 September 2016, the Parent Bank’s nominal capital amounting to TL 652.290 is dividend to TL 0,01 shares with a nominal value of TL 65.229.000.000. The share capital of the Bank has been fully paid and registered. All shares of the Bank are owned by HSBC Bank Plc that is located in England and established in accordance with British Law. As of 30 September 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 2016 to enhance its wholesale and premium positioning, and strategic actions to re-focus the branch network.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 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, IF AVAILABLE, SHARES OF THE BANK HELD BY THEM (IF ANY)**

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

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

(\*) 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.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.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016**

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

**IV. EXPLANATION ON INDIVIDUALS OR INSTITUTIONS OWNING THE PREFERRED SHARES OF THE PARENT BANK**

<b>Name/Commercial Title</b>	<b>Share Amounts (Nominal) (**)</b>	<b>Share Percentages</b>	<b>Paid-in Capital (Nominal) (**)</b>	<b>Unpaid Portion</b>
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 PARENT BANK’S SERVICE TYPE AND FIELDS OF OPERATION**

The Parent Bank’s activities in accordance with related regulations and the section three of the articles of association of the Parent 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 and 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, Coface and Anadolu Hayat Emeklilik through its branches and investment intermediary services as an agency of HSBC Yatırım.

As of 30 September 2016, the Parent 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 September 2016, the number of employees of the Group is 4.019 (31 December 2015: 5.049).

**VI. OTHER MATTERS**

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

**VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE**

Parent Company “the Bank” and HSBC Yatırım Menkul Değerler A.Ş. (“HSBC Yatırım”) that is owned by the Bank and HSBC Portföy Yönetimi A.Ş. (“HSBC Portföy”) that is the subsidiary of the HSBC Yatırım are taken into consolidation scope.

The subsidiaries consolidated along with the Parent Bank are referred to as “the Group” in this report.



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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016**

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

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

**IX. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDERS’ EQUITY BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES OR REIMBURSEMENT OF LIABILITIES**

None.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016**

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

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**SECTION TWO**

**CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2016 AND 31 DECEMBER 2015  
(STATEMENT OF FINANCIAL POSITION)**

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

**SECTION TWO  
CONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	Note (Section Five I)	Current Period (30.09.2016)			Prior Period (31.12.2015)		
		TL	FC	Total	TL	FC	Total
<b>ASSETS</b>							
<b>I. CASH BALANCES WITH THE CENTRAL BANK</b>	(I-a)	320.071	6.409.004	6.729.075	332.498	3.061.976	3.394.474
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(I-b)	1.137.865	395.639	1.533.504	1.370.728	301.539	1.672.267
2.1 Trading Financial Assets		1.137.865	395.639	1.533.504	1.370.728	301.539	1.672.267
2.1.1 Government Debt Securities		986.047	29.120	1.015.167	997.127	18.524	1.015.651
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		146.622	366.519	513.141	368.419	283.015	651.434
2.1.4 Other Marketable Securities		5.196	-	5.196	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		-	-	-	-	-	-
<b>III. BANKS</b>	(I-c)	230.670	79.785	310.455	78.285	437.363	515.648
<b>IV. MONEY MARKETS</b>		-	2.576.699	2.576.699	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		-	174.990	174.990	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	2.401.709	2.401.709	2.490.732	1.162.313	3.653.045
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	(I-d)	1.477.556	2.205	1.479.761	628.867	25.410	654.277
5.1 Share Certificates		4.385	2.205	6.590	4.385	25.410	29.795
5.2 Government Debt Securities		1.473.171	-	1.473.171	624.482	-	624.482
5.3 Other Marketable Securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	(I-e)	11.609.356	4.293.578	15.902.934	14.010.438	6.484.466	20.494.904
6.1 Loans and receivables		11.131.293	4.293.472	15.424.765	13.551.570	6.484.251	20.035.821
6.1.1 Loans to Bank's Risk Group	(VII)	-	38.726	38.726	-	20.399	20.399
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		11.131.293	4.254.746	15.386.039	13.551.570	6.463.852	20.015.422
6.2 Non-Performing Loans		1.339.044	202	1.339.246	1.244.755	330	1.245.085
6.3 Specific Provisions (-)		860.981	96	861.077	785.887	115	786.002
<b>VII. FACTORING RECEIVABLES</b>		379.357	7.146	386.503	536.832	47.236	584.068
<b>VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)</b>	(I-f)	-	-	-	-	-	-
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(I-g)	-	-	-	-	-	-
9.1 Associates Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>	(I-h)	270	-	270	270	-	270
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
<b>XI. JOINT VENTURES (Net)</b>	(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		-	-	-	-	-	-
<b>XII. FINANCIAL LEASE RECEIVABLES (Net)</b>	(I-j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
<b>XIII. HEDGING DERIVATIVE FINANCIAL ASSETS</b>	(I-k)	19.475	-	19.475	20.666	-	20.666
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		19.475	-	19.475	20.666	-	20.666
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV. PROPERTY AND EQUIPMENT (Net)</b>	(I-l)	65.656	-	65.656	87.566	-	87.566
<b>XV. INTANGIBLE ASSETS (Net)</b>	(I-m)	25.928	-	25.928	34.530	-	34.530
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		25.928	-	25.928	34.530	-	34.530
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	(I-n)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		1.167	-	1.167	24.557	-	24.557
17.1 Current Tax Asset		-	-	-	23.527	-	23.527
17.2 Deferred Tax Asset	(I-o)	1.167	-	1.167	1.030	-	1.030
<b>XVIII. ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(I-p)	2.764	-	2.764	3.444	-	3.444
18.1 Held for sale Purposes		2.764	-	2.764	3.444	-	3.444
18.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(I-r)	147.560	311.128	458.688	166.739	139.896	306.635
<b>TOTAL ASSETS</b>		15.417.695	14.075.184	29.492.879	19.786.152	11.886.694	31.672.846

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 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 (30.09.2016)			Prior Period (31.12.2015)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES					
<b>I. DEPOSITS</b>	(II-a)	<b>9.644.503</b>	<b>8.797.424</b>	<b>18.441.927</b>	<b>8.784.633</b>	<b>10.232.142</b>	<b>19.016.775</b>
1.1 Deposits of Bank's Risk Group	(VII)	54.302	8.879	63.181	55.231	3.851	59.082
1.2 Other		9.590.201	8.788.545	18.378.746	8.729.402	10.228.291	18.957.693
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	(II-b)	<b>123.187</b>	<b>272.435</b>	<b>395.622</b>	<b>99.919</b>	<b>257.249</b>	<b>357.168</b>
<b>III. FUNDS BORROWED</b>	(II-d)	<b>427.888</b>	<b>3.890.464</b>	<b>4.318.352</b>	<b>622.385</b>	<b>4.729.208</b>	<b>5.351.593</b>
<b>IV. MONEY MARKETS</b>		<b>674.715</b>		<b>674.715</b>	<b>790.709</b>		<b>790.709</b>
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)	674.715	-	674.715	790.709	-	790.709
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>							
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>							
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>341.206</b>	<b>3.429</b>	<b>344.635</b>	<b>404.148</b>	<b>251.486</b>	<b>655.634</b>
<b>VIII. OTHER LIABILITIES</b>	(II-e)	<b>281.591</b>	<b>95.736</b>	<b>377.327</b>	<b>395.665</b>	<b>80.156</b>	<b>475.821</b>
<b>IX. FACTORING PAYABLES</b>							
<b>X. FINANCIAL LEASE PAYABLES (Net)</b>	(II-f)						
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	(II-g)	<b>34.109</b>		<b>34.109</b>	<b>10.800</b>		<b>10.800</b>
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		34.109	-	34.109	10.800	-	10.800
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(II-h)	<b>622.668</b>	<b>788</b>	<b>623.456</b>	<b>590.867</b>	<b>1.023</b>	<b>591.890</b>
12.1 General Loan Loss Provision		387.088	-	387.088	457.075	-	457.075
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		66.079	-	66.079	61.424	-	61.424
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		169.501	788	170.289	72.368	1.023	73.391
<b>XIII. TAX LIABILITY</b>	(II-i)	<b>44.847</b>		<b>44.847</b>	<b>54.416</b>		<b>54.416</b>
13.1 Current Tax Liability		44.847	-	44.847	54.416	-	54.416
13.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS</b>	(II-j)						
14.1 Held for Sale Purpose		-	-	-	-	-	-
14.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(II-k)		<b>1.695.661</b>	<b>1.695.661</b>		<b>1.651.009</b>	<b>1.651.009</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(II-l)	<b>2.542.228</b>		<b>2.542.228</b>	<b>2.696.703</b>	<b>20.328</b>	<b>2.717.031</b>
16.1 Paid-in Capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		292.516	-	292.516	275.942	20.328	296.270
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		22.295	-	22.295	(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)		(2.472)	-	(2.472)	7.439	-	7.439
16.2.9 Value Increase in Asset 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		1.764.325	-	1.764.325	2.093.542	-	2.093.542
16.3.1 Legal Reserves		202.922	-	202.922	199.603	-	199.603
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		1.586.675	-	1.586.675	1.915.065	-	1.915.065
16.3.4 Other Profit Reserves		(25.272)	-	(25.272)	(21.126)	-	(21.126)
16.4 Profit or Loss		(166.903)	-	(166.903)	(325.071)	-	(325.071)
16.4.1 Prior Years' Profit/(Loss)		-	-	-	-	-	-
16.4.2 Current Year Profit/(Loss)		(166.903)	-	(166.903)	(325.071)	-	(325.071)
16.5 Minority Interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>14.736.942</b>	<b>14.755.937</b>	<b>29.492.879</b>	<b>14.450.245</b>	<b>17.222.601</b>	<b>31.672.846</b>

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS OF 30  
SEPTEMBER 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 (30.09.2016)			Prior Period (31.12.2015)		
			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>32.225.991</b>	<b>69.969.752</b>	<b>102.195.743</b>	<b>34.785.512</b>	<b>69.635.989</b>	<b>104.421.501</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	(III-a-2,3)	<b>854.006</b>	<b>1.380.465</b>	<b>2.234.471</b>	<b>807.726</b>	<b>2.266.393</b>	<b>3.074.119</b>
1.1	Letters of Guarantee		853.916	815.521	1.669.437	807.726	860.479	1.668.205
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		11.751	2.231	13.982	14.026	3.536	17.562
1.1.3	Other Letters of Guarantee		842.165	813.290	1.655.455	793.700	856.943	1.650.643
1.2	Bank Acceptances		-	127.076	127.076	-	470.727	470.727
1.2.1	Import Letter of Acceptance		-	127.076	127.076	-	470.727	470.727
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	167.497	167.497	-	595.235	595.235
1.3.1	Documentary Letters of Credit		-	117.893	117.893	-	212.429	212.429
1.3.2	Other Letters of Credit		-	49.604	49.604	-	382.806	382.806
1.4	Refinancing 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	270.371	270.461	-	339.952	339.952
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	(III-a-1)	<b>8.939.273</b>	<b>11.208.093</b>	<b>20.147.366</b>	<b>15.173.412</b>	<b>16.264.504</b>	<b>31.437.916</b>
2.1	Irrevocable Commitments		8.939.273	11.208.093	20.147.366	15.173.412	16.264.504	31.437.916
2.1.1	Asset Purchase and Sale Commitments		2.075.512	10.312.219	12.387.731	7.758.398	16.264.199	24.022.597
2.1.2	Deposit Purchase and Sales Commitments		-	754.067	754.067	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		423.467	-	423.467	501.356	-	501.356
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheque Payments		513.692	-	513.692	545.564	-	545.564
2.1.8	Tax and Fund Liabilities from Export Commitments		5.510	-	5.510	5.330	-	5.330
2.1.9	Commitments for Credit Card Limits		4.930.860	-	4.930.860	5.373.983	-	5.373.983
2.1.10	Commitments for Credit Cards and Banking Services Promotions		18.845	-	18.845	20.325	-	20.325
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		86.481	70.772	157.253	-	25	25
2.1.12	Payables for Short Sale Commitments of Marketable Securities		86.481	70.772	157.253	-	25	25
2.1.13	Other Irrevocable Commitments		798.425	263	798.688	968.456	255	968.711
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	(III-b)	<b>22.432.712</b>	<b>57.381.194</b>	<b>79.813.906</b>	<b>18.804.374</b>	<b>51.105.092</b>	<b>69.909.466</b>
3.1	Hedging Derivative Financial Instruments		492.545	525.368	1.017.913	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	525.368	1.017.913	492.545	510.825	1.003.370
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		21.940.167	56.855.826	78.795.993	18.311.829	50.594.267	68.906.096
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3.330.438	4.940.919	8.271.357	3.346.109	6.652.396	9.998.505
3.2.1.1	Forward Foreign Currency Transactions-Buy		2.304.633	1.830.896	4.135.529	1.914.888	3.074.738	4.989.626
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.025.805	3.110.023	4.135.828	1.431.221	3.577.658	5.008.879
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		14.163.590	45.109.813	59.273.403	10.938.979	38.273.022	49.212.001
3.2.2.1	Foreign Currency Swap-Buy		6.808.990	13.777.565	20.586.555	4.060.773	11.162.324	15.223.097
3.2.2.2	Foreign Currency Swap-Sell		7.354.600	13.095.022	20.449.622	6.878.206	7.752.896	14.631.102
3.2.2.3	Interest Rate Swap-Buy		-	9.118.613	9.118.613	-	9.678.901	9.678.901
3.2.2.4	Interest Rate Swap-Sell		-	9.118.613	9.118.613	-	9.678.901	9.678.901
3.2.3	Foreign Currency, Interest rate and Securities Options		4.446.139	6.735.512	11.181.651	4.026.741	5.361.504	9.388.245
3.2.3.1	Foreign Currency Options-Buy		2.221.208	3.369.655	5.590.863	2.006.761	2.687.318	4.694.079
3.2.3.2	Foreign Currency Options-Sell		2.224.931	3.365.857	5.590.788	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		-	69.582	69.582	-	307.345	307.345
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>70.893.722</b>	<b>73.368.369</b>	<b>144.262.091</b>	<b>61.836.873</b>	<b>85.598.781</b>	<b>147.435.654</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>44.535.623</b>	<b>1.387.497</b>	<b>45.923.120</b>	<b>32.209.275</b>	<b>1.548.317</b>	<b>33.757.592</b>
4.1	Customer Fund and Portfolio Balances		1.320.624	-	1.320.624	1,221.087	-	1,221.087
4.2	Investment Securities Held in Custody		24.506.029	1,212.431	25,718.460	17,037.112	1,215.692	18,252.804
4.3	Checks Received for Collection		1,125.267	87.637	1,212.904	2,187.204	249.317	2,436.521
4.4	Commercial Notes Received for Collection		137.625	-	137.625	128.629	-	128.629
4.5	Other Assets Received for Collection		-	8,281	8,281	-	8,462	8,462
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		17,446.078	79,148	17,525.226	11,635.243	74,846	11,710.089
4.8	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>14,080,268</b>	<b>13,521,125</b>	<b>27,601,393</b>	<b>12,179,624</b>	<b>14,162,474</b>	<b>26,342,098</b>
5.1	Marketable Securities		786,178	2,572	788,750	903,674	16,840	920,514
5.2	Guarantee Notes		392,144	1,276,325	1,668,469	623,088	1,948,806	2,571,894
5.3	Commodity		240	6,592	6,832	240	6,410	6,650
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable Properties		6,749,626	2,916,828	9,666,454	8,324,255	2,670,818	10,995,073
5.6	Other Pledged Items		6,152,080	9,318,808	15,470,888	2,328,367	9,519,600	11,847,967
5.7	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>12,277,831</b>	<b>58,459,747</b>	<b>70,737,578</b>	<b>17,447,974</b>	<b>69,887,990</b>	<b>87,335,964</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>103,119,713</b>	<b>143,338,121</b>	<b>246,457,834</b>	<b>96,622,385</b>	<b>155,234,770</b>	<b>251,857,155</b>

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2016 AND 30 SEPTEMBER 2015**

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

<b>III. STATEMENT OF INCOME</b>					
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period (01.01.2016 – 30.09.2016)</b>	<b>Prior Period (01.01.2015 – 30.09.2015)</b>	<b>Current Period (01.07.2016- 30.09.2016)</b>	<b>Prior Period (01.07.2015- 30.09.2015)</b>
<b>I. INTEREST INCOME</b>	<b>(IV-a)</b>	<b>1.561.519</b>	<b>1.854.734</b>	<b>494.009</b>	<b>577.830</b>
1.1 Interest Income on Loans	(IV-a-1)	1.399.870	1.457.121	439.879	503.878
1.2 Interest Received from Reserve Requirements		10.610	5.453	3.080	2.417
1.3 Interest Received from Banks	(IV-a-2)	10.031	91.855	3.488	20.311
1.4 Interest Received from Money Market Transactions		14.468	196.396	10.165	12.395
1.5 Interest Received from Marketable Securities Portfolio	(IV-a-3)	123.030	95.657	36.096	36.290
1.5.1 Trading Financial Assets		55.125	68.862	11.756	28.981
1.5.2 Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1.5.3 Available-for-sale Financial Assets		67.905	26.795	24.340	7.309
1.5.4 Held to Maturity Investments		-	-	-	-
1.6 Financial Lease Income		-	-	-	-
1.7 Other Interest Income		3.510	8.252	1.301	2.539
<b>II. INTEREST EXPENSE</b>	<b>(IV-b)</b>	<b>824.485</b>	<b>968.996</b>	<b>242.091</b>	<b>319.799</b>
2.1 Interest Expense on Deposits	(IV-b-4)	584.570	700.294	166.996	235.945
2.2 Interest Expense on Funds Borrowed	(IV-b-1)	184.163	205.636	57.007	61.216
2.3 Interest Expense on Money Market Transactions		41.186	47.843	13.401	18.008
2.4 Interest on Securities Issued	(IV-b-3)	-	-	-	-
2.5 Other Interest Expenses		14.566	15.223	4.687	4.630
<b>III. NET INTEREST INCOME/EXPENSE (I + II)</b>		<b>737.034</b>	<b>885.738</b>	<b>251.918</b>	<b>258.031</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>322.191</b>	<b>408.641</b>	<b>100.404</b>	<b>130.295</b>
4.1 Fees and Commissions Received		353.459	442.876	110.867	142.515
4.1.1 Non-Cash Loans		16.015	11.377	5.901	3.826
4.1.2 Other		337.444	431.499	104.966	138.689
4.2 Fees and Commissions Paid		31.268	34.235	10.463	12.220
4.2.1 Non-Cash Loans		483	419	145	142
4.2.2 Other		30.785	33.816	10.318	12.078
<b>V. DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>-</b>	<b>2.289</b>	<b>-</b>	<b>2.289</b>
<b>VI. TRADING INCOME/(LOSS) (Net)</b>	<b>(IV-d)</b>	<b>40.776</b>	<b>(3.190)</b>	<b>(25.207)</b>	<b>22.140</b>
6.1 Trading Gains/(Losses) on Securities		34.621	(18.414)	(5.741)	(12.402)
6.2 Derivative Financial Transactions Gains/(Losses)		19.119	763.098	58.971	88.550
6.3 Foreign Exchange Gains/(Losses)		(12.964)	(747.874)	(78.437)	(54.008)
<b>VII. OTHER OPERATING INCOME</b>	<b>(IV-e)</b>	<b>245.448</b>	<b>170.367</b>	<b>59.433</b>	<b>72.774</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.345.449</b>	<b>1.463.845</b>	<b>386.548</b>	<b>485.529</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-f)</b>	<b>537.432</b>	<b>543.705</b>	<b>221.101</b>	<b>178.501</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(IV-g)</b>	<b>965.328</b>	<b>1.089.104</b>	<b>292.417</b>	<b>412.657</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>(157.311)</b>	<b>(168.964)</b>	<b>(126.970)</b>	<b>(105.629)</b>
<b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)</b>		<b>(157.311)</b>	<b>(168.964)</b>	<b>(126.970)</b>	<b>(105.629)</b>
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(IV-h)</b>	<b>(9.592)</b>	<b>(56.716)</b>	<b>(2.158)</b>	<b>(60.141)</b>
16.1 Current Tax Provision	(IV-i)	(6.214)	(11.004)	(1.788)	(3.200)
16.2 Deferred Tax Provision		(3.378)	(45.712)	(370)	(56.941)
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(IV-j)</b>	<b>(166.903)</b>	<b>(225.680)</b>	<b>(129.128)</b>	<b>(165.770)</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Income from Non-Current Assets Held for Resale		-	-	-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
18.3 Other Income From Discontinued Operations		-	-	-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19.1 Expenses for Non-Current Assets Held for Resale		-	-	-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
19.3 Other Expenses From Discontinued Operations		-	-	-	-
<b>XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Current Tax Provision		-	-	-	-
21.2 Deferred Tax Provision		-	-	-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(IV-k)</b>	<b>(166.903)</b>	<b>(225.680)</b>	<b>(129.128)</b>	<b>(165.770)</b>
23.1 Group's Profit/Loss (-)		(166.903)	(225.680)	(129.128)	(165.770)
23.2 Minority Shares Profit/Loss (-)		-	-	-	-
Earnings/Loss per Share (The amounts are expressed in full TL)		(0,00256)	(0,00346)	(0,00198)	(0,00254)

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER  
SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED  
30 SEPTEMBER 2016 AND 30 SEPTEMBER 2015**

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

<b>IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (30.09.2016)</b>	<b>Prior Period (30.09.2015)</b>
<b>I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>7.696</b>	<b>(12.754)</b>
<b>II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)</b>	<b>(12.389)</b>	<b>10.688</b>
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. THE EFFECT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>(5.182)</b>	<b>(2.683)</b>
<b>IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>	<b>1.975</b>	<b>66</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>(7.900)</b>	<b>(4.683)</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>(166.903)</b>	<b>(225.680)</b>
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	35.826	(145)
11.2 Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	(182)	(318)
11.3 Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4 Other	(202.547)	(225.217)
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)</b>	<b>(174.803)</b>	<b>(230.363)</b>

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2015**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																				
	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel- Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc.	Minority Shares Except Total Equity	Minority Shares	Total Equity	
<b>30 September 2015</b>																				
<b>I. Balances at the Beginning of the Period</b>		652.290	-	-	-	196.002	-	1.975.770	271.511	(57.104)	-	7.336	-	-	(642)	-	3.045.163	-	3.045.163	
<b>II. Corrections According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. Adjusted Balance (I+II)</b>		652.290	-	-	-	196.002	-	1.975.770	271.511	(57.104)	-	7.336	-	-	(642)	-	3.045.163	-	3.045.163	
<b>Changes in the Period</b>																				
<b>IV. Increase/Decrease due to the Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>V. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	(12.754)	-	-	-	-	(12.754)	-	(12.754)	
<b>VI. Hedging Transactions Funds (Effective Parts)</b>		-	-	-	-	-	-	-	-	-	-	-	-	10.688	-	-	10.688	-	10.688	
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	10.688	-	-	10.688	-	10.688	
6.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Property and Equipment Revaluation Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Intangible Fixed Assets Revaluation Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Foreign Exchange Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XI. Changes due to the Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XII. Changes due to the Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIII. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XIV. Capital Increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1 Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XV. Share Premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVI. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVII. Paid in-Capital Adjustment Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XVIII. Other</b>		-	-	-	-	-	-	-	(2.617)	-	-	-	-	-	-	-	(2.617)	-	(2.617)	
<b>XIX. Current Year Income or Loss</b>		-	-	-	-	-	-	-	-	(225.680)	-	-	-	-	-	-	(225.680)	-	(225.680)	
<b>XX. Profit Distribution</b>		-	-	-	-	3.601	-	(60.573)	-	57.104	-	-	-	-	-	-	132	-	132	
20.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2 Transfers to Reserves		-	-	-	-	3.601	-	(60.573)	-	57.104	-	-	-	-	-	-	132	-	132	
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balances at the End of the Period (I+II+III+.....+XIX+XX)</b>		652.290	-	-	-	199.603	-	1.915.197	268.894	(225.680)	-	(5.418)	-	10.046	-	-	2.814.932	-	2.814.932	

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.



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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																				
	30 September 2016	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel- Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operate.	Minority Shares Except Total Equity	Minority Shares	Total Equity
I.	Balances at the Beginning of the Period		652.290	-	-	199.603	-	-	1.915.065	251.567	(325.071)	-	16.138	-	-	7.439	-	2.717.031	-	2.717.031
	Changes in the Period																			
II.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	6.157	-	-	-	-	6.157	-	6.157
IV.	Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	(9.911)	-	(9.911)	-	(9.911)
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(9.911)	-	(9.911)	-	(9.911)
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Valuation Differences due to Revaluation of Property and Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Valuation Differences due to Revaluation of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	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		-	-	-	-	-	-	-	(4.146)	-	-	-	-	-	-	-	(4.146)	-	(4.146)
XVII.	Current Year Income or Loss		-	-	-	-	-	-	-	-	(166.903)	-	-	-	-	-	-	(166.903)	-	(166.903)
XVIII.	Profit Distribution		-	-	-	3.319	-	-	(328.390)	-	325.071	-	-	-	-	-	-	-	-	-
18.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves		-	-	-	3.319	-	-	(328.390)	-	325.071	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Balances at the End of the Period (I+II+III+...+XVI+XVII+XVIII)</b>		<b>652.290</b>			<b>202.922</b>			<b>1.586.675</b>	<b>247.421</b>	<b>(166.903)</b>		<b>22.295</b>			<b>(2.472)</b>		<b>2.542.228</b>		<b>2.542.228</b>

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIODS ENDED 30 SEPTEMBER 2016 AND 30 SEPTEMBER 2015**

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

<b>VI. STATEMENT OF CASH FLOW</b>			
	<b>Note (Section Five VI)</b>	<b>Current Period (30.09.2016)</b>	<b>Prior Period (30.09.2015)</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>		<b>700.847</b>	<b>52.859</b>
1.1.1 Interest Received		1.645.639	1.560.756
1.1.2 Interest Paid		(838.626)	(899.480)
1.1.3 Dividend Received		-	2.289
1.1.4 Fees and Commissions Received		351.470	435.132
1.1.5 Other Income		245.448	170.367
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		187.714	165.655
1.1.7 Payments to Personnel and Service Suppliers		(431.640)	(448.311)
1.1.8 Taxes Paid		(6.703)	(40.705)
1.1.9 Other		(452.455)	(892.844)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>2.373.693</b>	<b>(5.790.532)</b>
1.2.1 Net (Increase)/Decrease in Trading Securities		(719)	(1.039.366)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Banks		(1.200)	(20.070)
1.2.4 Net (Increase)/Decrease in Loans		4.164.870	(3.042.336)
1.2.5 Net (Increase)/Decrease in Other Assets		373.133	(564.489)
1.2.6 Net Increase/(Decrease) in Bank Deposits		3.030.012	(177.149)
1.2.7 Net Increase/(Decrease) in Other Deposits		(3.638.310)	1.029.288
1.2.8 Net Increase/(Decrease) in Funds Borrowed		(986.820)	(2.371.951)
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(567.273)	395.541
<b>I. Net Cash Provided From Banking Operations</b>		<b>3.074.540</b>	<b>(5.737.673)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided From Investing Activities</b>		<b>(787.306)</b>	<b>271.954</b>
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		(4.529)	(14.317)
2.4 Disposals of Property and Equipment		6.593	25.655
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(1.452.601)	(105.314)
2.6 Cash Obtained From Sale of Investments Available-for -Sale		670.196	397.271
2.7 Cash Paid for Purchase of Investment Securities		-	-
2.8 Cash Obtained From Sale of Investment Securities		-	-
2.9 Other		(6.965)	(31.341)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided From Financing Activities</b>		<b>-</b>	<b>(4)</b>
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		-	(4)
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>2.206</b>	<b>(5.521)</b>
<b>V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>2.289.440</b>	<b>(5.471.244)</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>4.998.718</b>	<b>9.728.105</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>7.288.158</b>	<b>4.256.861</b>

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

**a. The preparation of the consolidated 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 consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of interim reporting Turkish Accounting Standards 34 and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (all referred as “Reporting Standards”). The format and content of the publicly announced consolidated 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 Group maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated 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 consolidated 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 estimates and projections used are explained in the 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 Group.

**b. Accounting policies and valuation principles applied in the preparation of consolidated financial statements:**

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

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

The main sources of the Parent Bank are customer deposits and borrowings from abroad. The Parent Bank’s liquidity structure covers the financing of all liabilities at due date. This liquidity structure of the Group has been established by keeping sufficient cash and cash equivalents. The Parent Bank, diversify its funding sources and keeping cash and cash equivalent adequately for constitute the provider liquidity structure which matured liability affordability.

The Group applies advanced methods of the Group in daily market risk managing and control activities. In measuring the market risk and determining limits, “Value at Risk” (“VaR”) approach is being applied. For the portfolios which are subject to market risk; interest rate and currency risks are monitored; with regard to this, limits such as 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.

Various 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.

Analyses that are conducted related to determined risks are being tracked by committees such as the Asset-Liability committee and the Market Risk Committee and 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 Parent Bank’s exchange rates. 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. INFORMATION ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES**

The Group has no investments in associates as of 30 September 2016. HSBC Yatırım that is fully owned by the Bank, HSBC Portföy that is the subsidiary of HSBC Yatırım and HSBC Portföy that is the subsidiary of the HSBC Yatırım are taken into consolidation scope in accordance with the procedures listed in the “Communiqué related to the Regulation on the Preparation of the Financial Statements of the Banks” and the “Turkish Accounting Standard for Consolidated and Separate Financial Statements” (“TAS 27”) published in the Official Gazette No.26340 dated 8 November 2006.

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**IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

In order to reduce the foreign exchange position risk the Group 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 Group conducts interest futures, interest swaps and forward interest rate agreements. According to TAS 39 the transactions which are classified as hedging or trading and recognised at fair value. The fair value of derivative instruments are recorded on the market value or discounted cash flow value is taken in the account. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Financial assets at fair value through profit or loss” in “Trading derivative financial assets” or “Hedging derivative financial assets” and if the fair value difference is negative, it is disclosed in “Trading derivative financial liabilities” or “Hedging derivative financial liabilities”. The fair value changes of the trading derivatives are recognized under “Derivative financial transactions gains/(losses)” at income statement. The Parent 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 COMMISSION 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 Group categorizes its financial assets as “Fair value through profit/loss”, “Available-for-sale”, “Loans and receivables” and “Held-to-maturity”. The appropriate classification of financial assets of the Group 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 recognized in the income statement.

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

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

##### b. Financial assets available-for-sale:

Available-for-sale financial assets are defined as financial assets other than the ones classified as “Loans and receivables”, “Held-to-maturity assets” or “Financial asset at fair value through profit or loss”. Financial assets available for sale are measured at fair value. Unrealized gains and losses arising from the changes in the fair value of financial assets available for sale with fixed maturity and certain cash flow are recognised at “Marketable Securities Valuation 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 Group by providing money, services or goods to borrowers are categorized as loans and receivables. Loans and receivables originated by the Group are recognised at the amortised cost value calculated using the effective interest rate method.

The Group makes risk assessment for the loans and receivables on the consumer and portfolio basis and provides specific provisions for the non performing loans not less than the determined minimum rates according to the (“Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”) published in the Official Gazette dated 1 November 2006 and numbered 26333. In addition to the non-performing loans, the Group provides general loan loss provisions for the loans and receivables which are defined in the same communiqué. The interests and accruals of the non-performing loans are derecognised from the financial statement and provision expense is 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 recognised at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognised in the income statement. As of 30 September 2016 and 31 December 2015, the Group has no investment securities held-to-maturity.

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

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group 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 Group to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. As of 30 September 2016 and 31 December 2015, funds given against securities purchased under agreements to resell (“Reverse repurchase agreements”) are accounted under “Receivables from money market - 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 Group has no securities lending transactions.

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

As of 30 September 2016 and 31 December 2015, the Group 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 consolidated financial statements in accordance with “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 Parent 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 Parent Bank has used discounted cash flow method for the most recent impairment test and reevaluated assumptions and estimations considering projections of the personal banking department. Calculated goodwill impairment was reflected on the income statement as of 2015 per 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 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%, furnitures at rate 20%, other tangible assets at rates ranging from 2% to 33%. The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item will remain in property and equipment. Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its net sales revenue. Repair and maintenance expenses in order to increase the useful life of the property and equipment are capitalized, other repair and maintenance costs are recognised as expenses. There are no mortgages, pledges or similar precautionary measures on tangible fixed assets.



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#### **XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

Assets acquired under finance lease agreements are capitalized in accordance with "Leases Standard" ("TAS 17") at the inception of the lease at the "Lower of the fair value of the leased asset or the present value of the lease instalments to be paid for the leased asset". Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "Provision for value decrease" is recognised. Liabilities arising from the leasing transactions are included in "Finance lease payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are presented the income statement. The Group 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.

#### **XV. EXPLANATIONS ON PROVISIONS, AND CONTINGENT LIABILITIES**

Provisions and contingent liabilities are accounted in accordance with, "Provisions, Contingent Liabilities and Contingent Assets Standard" ("TAS 37"). Provisions are recognised when the Group 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 Group, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements. The Group recognized a full provision in its 30 September 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 Group. 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 Group 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 consolidated 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 consolidated 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 Group 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 Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Group arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 4,67% (31 December 2015: 4,95%)

As of 30 September 2016, actuarial loss amounted to TL 25.272 (31 December 2015: TL 21.126 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.

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**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 Group 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 nonresident 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 share 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 can be 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.

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 seventeen days following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal instalments in May and October.

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**XVIII. EXPLANATIONS ON TAXATION (Continued)**

**b. Deferred Tax Asset/Liability:**

The Group 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 Parent Bank has limited its deferred tax assets with its deferred tax liabilities. The Parent Bank has recognized deferred tax receivables amounting to TL 116.916 as an expense; TL 77.627 in 2015, and TL 39.289 as of 30 September 2016. Aforementioned assessment will be reevaluated and reperfomed on every following reporting date.

Various operations and calculations with unascertained effects on final tax amount occur during standard workflow, which require important judgement in determining income tax provision. Parent 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.

**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. Group has filled out the related form and presented it to the tax office.

**XIX. EXPLANATIONS ON FUNDS BORROWED**

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the consolidated financial statements enclosed, foreign currency borrowings are translated according to the Parent Bank’s period end counter buying exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the consolidated financial statements. As of 30 September 2016 and 31 December 2015, the Group has no marketable securities issued and convertible bonds.

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

As of 30 September 2016 and 31 December 2015, the Group has no issued share certificates.

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

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

**XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES**

As of 30 September 2016 and 31 December 2015, the Group has no government incentives.

**XXIII. EXPLANATIONS ON OPERATING SEGMENTS**

Segment reporting is presented in Note XII of Section Four.

**XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION**

Retained earnings as per the statutory consolidated 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 loss for the year to the number of shares.

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2016</b>	<b>30 September 2015</b>
Net (Loss)/Profit for the Period	(166.903)	(225.680)
Number of Shares	65.229.000.000	65.229.000.000
<b>(Loss)/Earnings per Share (*)</b>	<b>(0,00256)</b>	<b>(0,00346)</b>

(\*) Amounts are expressed in full TL.

**XXVI. CASH AND CASH EQUIVALENTS**

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

**XXVII. RELATED PARTIES**

Parties stated in the article 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 consolidated financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 30 September 2016 and 31 December 2015 financials.

**XXIX. OTHER MATTERS**

None.

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**SECTION FOUR**

**INFORMATION RELATED TO FINANCIAL POSITION**

**I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO**

Equity and Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", and "Communiqué on Equities of Banks". As of 30 September 2016, equity of the Group and the Parent Bank is amounting to TL 4.414.152 and TL 4.361.992 respectively, and capital adequacy ratio of the Group and the Parent Bank is 17,38% and 17,23% respectively. Calculations for 31 December 2015 has been in accordance with former regulations, thus equity was amounting to TL 4.519.699 and TL 4.463.084, and the capital adequacy ratio was 15,89% and 15,72%. Group's and Parent Bank's capital adequacy ratio is higher than the minimum rate required by the related regulation.

**a. Information about shareholders' equity items:**

	Current Period 30 September 2016	Amount as per the regulation before 01.01.2014 (*)
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	1.895.390	
Other Comprehensive Income according to TAS	22.295	
Profit	-	
Current Period Profit	-	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>2.569.975</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
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 (-)	25.272	
Leasehold Improvements on Operational Leases (-)	8.146	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	14.341	23.901
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 (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>47.759</b>	
<b>Total Common Equity Tier I Capital</b>	<b>2.522.216</b>	

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**I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

	Current Period 30 September 2016	Amount as per the regulation before 01.01.2014 (*)
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
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 (-)	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	9.560	-
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 (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>9.560</b>	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>2.512.656</b>	-
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.646.676	-
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)	263.293	-
<b>Total Deductions from Tier II Capital</b>	<b>1.909.969</b>	-
<b>Deductions from Tier II Capital</b>		
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>1.909.969</b>	-
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>4.422.625</b>	-
<b>Total Tier I Capital and Tier II Capital (Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law	209	-
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	148	-
Other items to be Defined by the BRSA (-)	8.116	-
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
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 CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

	Current Period 30 September 2016	Amount as per the regulation before 01.01.2014 (*)
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	4.414.152	
Total Risk Weighted Assets	25.393.515	
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated CET1 Capital Ratio (%)	9,93%	
Consolidated Tier I Capital Ratio (%)	9,90%	
Consolidated Capital Adequacy Ratio (%)	17,38%	
<b>BUFFERS</b>		
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	4,81%	
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
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		-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	387.088	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	263.293	
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		-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
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 CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

	<b>Prior Period 31 December 2015 (*)</b>
<b>TIER I CAPITAL</b>	
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	2.062.290
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	-
<b>Tier I Capital Before Deductions</b>	<b>2.730.718</b>
<b>Deductions From Tier I Capital</b>	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	21.126
Leasehold Improvements on Operational Leases (-)	15.148
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	32.098
Net Deferred tax assets / liabilities (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deduction (-)	-
<b>Total regulatory adjustments to Tier I capital</b>	<b>68.372</b>
<b>Tier I capital</b>	<b>2.662.346</b>
<b>ADDITIONAL CORE CAPITAL</b>	
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
<b>Additional Core Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Core Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Core Capital</b>	<b>-</b>
<b>Total Additional Core Capital</b>	<b>-</b>



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**I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

	<b>Prior Period 31 December 2015 (*)</b>
<b>Deductions from Core Capital</b>	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
<b>Total Core Capital</b>	<b>2.662.346</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued Or Obtained before 1.1.2014)	1.589.676
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	297.991
<b>Tier II Capital before Deductions</b>	<b>1.887.667</b>
<b>Deductions from Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	24.746
<b>Total Deductions from Tier II Capital</b>	<b>24.746</b>
<b>Total Tier II Capital</b>	<b>1.862.921</b>
<b>CAPITAL</b>	<b>4.525.267</b>
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 (-)	-
<b>EQUITY</b>	<b>4.519.699</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	
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.

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**I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)**

**b. Items included in capital calculation:**

None.

**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 Parent 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 Parent 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 CONSOLIDATED 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 CONSOLIDATED CURRENCY RISK**

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

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

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

The Group, 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.

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**IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)**

**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 Group for the last five business days prior to the financial statement date:**

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

<b>Current Period - 30 September 2016</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
<b>Parent Bank’s Evaluation Rate</b>	3,0021	3,3651
29 September 2016	2,9961	3,3603
28 September 2016	2,9807	3,3415
27 September 2016	2,9785	3,3404
26 September 2016	2,9821	3,3547
23 September 2016	2,9528	3,3121
<b>Prior Period – 31 December 2015</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	2,9190	3,1767

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

As of September 2016, the Parent Bank’s simple arithmetic average foreign exchange rate for USD is TL 2,9668 (December 2015: TL 2,9209) and exchange rate for Euro is TL 3,3235 (December 2015: TL 3,1842).

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**IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)**

**f. Information related to Group's Currency Risk:**

<b>Current Period - 30 September 2016</b>	<b>EURO</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	4.379.720	1.375.317	653.967	6.409.004
Banks	23.679	34.585	21.521	79.785
Financial Assets at Fair Value through Profit or Loss (Net)	168.567	214.430	12.642	395.639
Interbank Money Market Placements	174.990	2.401.709	-	2.576.699
Financial Assets Available-for-Sale (Net)	2.205	-	-	2.205
Loans (*)	3.168.096	2.560.368	22.525	5.750.989
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 (**)	301.395	6.582	1.990	309.967
<b>Total Assets</b>	<b>8.218.652</b>	<b>6.592.991</b>	<b>712.645</b>	<b>15.524.288</b>
<b>Liabilities</b>				
Bank Deposits	1	246.792	3	246.796
Foreign Currency Deposits	2.198.665	5.353.004	998.959	8.550.628
Funds from Interbank Money Market	-	-	-	-
Funds Borrowed	2.022.241	3.563.875	9	5.586.125
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	176	3.213	40	3.429
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	146.802	145.351	76.806	368.959
<b>Total Liabilities</b>	<b>4.367.885</b>	<b>9.312.235</b>	<b>1.075.817</b>	<b>14.755.937</b>
<b>Net on Balance Sheet Position</b>	<b>3.850.767</b>	<b>(2.719.244)</b>	<b>(363.172)</b>	<b>768.351</b>
<b>Net Off-Balance Sheet Position</b>	<b>(3.842.188)</b>	<b>2.913.848</b>	<b>404.040</b>	<b>(524.300)</b>
Financial Derivative Assets	6.084.514	16.279.793	1.663.500	24.027.807
Financial Derivative Liabilities	9.926.702	13.365.945	1.259.460	24.552.107
Non-cash Loans	488.466	869.853	22.146	1.380.465
<b>Prior Period - 31 December 2015</b>				
Total Assets	5.772.791	7.930.592	726.913	14.430.296
Total Liabilities	6.008.452	10.096.877	1.117.272	17.222.601
<b>Net on-Balance Sheet Position</b>	<b>(235.661)</b>	<b>(2.166.285)</b>	<b>(390.359)</b>	<b>(2.792.305)</b>
<b>Net off-Balance Sheet Position</b>	<b>227.513</b>	<b>2.260.465</b>	<b>383.933</b>	<b>2.871.911</b>
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	1.603.840	46.505	2.266.393

(\*) As of 30 September 2016, total loans amount consists foreign indexed loans amounting to TL 1.450.265 (31 December 2015: TL 2.544.252) and foreign currency factoring receivables amounting to TL 7.146 (31 December 2015: TL 47.236).

(\*\*) As of 30 September 2016, other assets do not consist of prepaid expenses amounting to TL 1.161 (31 December 2015: TL 650).

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**V. EXPLANATIONS ON CONSOLIDATED 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:**

<b>Current Period - 30 September 2016</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	5.986.179	-	-	-	-	742.896	6.729.075
Banks	165.119	-	-	1.954	-	143.382	310.455
Financial Assets at Fair Value Through Profit or Loss (Net)	131.109	754.544	474.969	126.761	40.925	5.196	1.533.504
Interbank Money Market Placements	2.576.699	-	-	-	-	-	2.576.699
Financial Assets Available-for-Sale (Net)	-	198.211	572.644	698.592	3.724	6.590	1.479.761
Loans (*)	6.736.712	1.204.331	2.385.821	4.589.149	895.255	478.169	16.289.437
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	11.807	7.668	-	-	-	554.473	573.948
<b>Total Assets</b>	<b>15.607.625</b>	<b>2.164.754</b>	<b>3.433.434</b>	<b>5.416.456</b>	<b>939.904</b>	<b>1.930.706</b>	<b>29.492.879</b>
<b>Liabilities</b>							
Bank Deposits	3.062.551	-	-	-	-	45.865	3.108.416
Other Deposits	10.142.437	2.146.639	207.020	885	-	2.836.530	15.333.511
Funds from Interbank Money Market	674.715	-	-	-	-	-	674.715
Miscellaneous Payables	-	-	-	-	-	344.635	344.635
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	833.745	3.565.433	1.400.215	203.057	-	11.563	6.014.013
Other Liabilities (**)	155.737	113.261	83.917	661.042	2.298	3.001.334	4.017.589
<b>Total Liabilities</b>	<b>14.869.185</b>	<b>5.825.333</b>	<b>1.691.152</b>	<b>864.984</b>	<b>2.298</b>	<b>6.239.927</b>	<b>29.492.879</b>
Balance Sheet Long Position	738.440	-	1.742.282	4.551.472	937.606	-	7.969.800
Balance Sheet Short Position	-	(3.660.579)	-	-	-	(4.309.221)	(7.969.800)
Off Balance Sheet Long Position	46.091	125.931	99.876	53.733	-	-	325.631
Off Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>784.531</b>	<b>(3.534.648)</b>	<b>1.842.158</b>	<b>4.605.205</b>	<b>937.606</b>	<b>(4.309.221)</b>	<b>325.631</b>

(\*) Loans consist of factoring transactions amounting to TL 386.503 (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 CONSOLIDATED INTEREST RATE RISK (Continued)**

<b>Prior Period - 31 December 2015</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2.420.133	-	-	-	-	974.341	3.394.474
Banks	358.792	-	-	-	-	156.856	515.648
Financial Assets at Fair Value Through Profit or Loss (Net)	261.321	705.071	373.753	289.708	37.232	5.182	1.672.267
Interbank Money Market Placements	3.879.540	-	-	-	-	-	3.879.540
Financial Assets Available-for-Sale (Net)	104	-	-	580.296	44.082	29.795	654.277
Loans (*)	8.000.651	1.562.106	4.112.510	5.949.772	994.850	459.083	21.078.972
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	12.149	8.517	-	-	-	457.002	477.668
<b>Total Assets</b>	<b>14.932.690</b>	<b>2.275.694</b>	<b>4.486.263</b>	<b>6.819.776</b>	<b>1.076.164</b>	<b>2.082.259</b>	<b>31.672.846</b>
<b>Liabilities</b>							
Bank Deposits	19.521	-	-	-	-	58.240	77.761
Other Deposits	12.877.144	2.523.809	234.429	4.723	-	3.298.909	18.939.014
Funds from Interbank Money Market	790.709	-	-	-	-	-	790.709
Miscellaneous Payables	-	-	-	-	-	655.634	655.634
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	3.241.369	4.207.126
<b>Total Liabilities</b>	<b>16.166.776</b>	<b>6.554.130</b>	<b>801.757</b>	<b>866.340</b>	<b>1.583</b>	<b>7.282.260</b>	<b>31.672.846</b>
Balance Sheet Long Position	-	-	3.684.506	5.953.436	1.074.581	-	10.712.523
Balance Sheet Short Position	(1.234.086)	(4.278.436)	-	-	-	(5.200.001)	(10.712.523)
Off Balance Sheet Long Position	53.325	304.916	167.559	96.363	-	-	622.163
Off Balance Sheet Short Position	-	-	-	-	(1.795)	-	(1.795)
<b>Total Position</b>	<b>(1.180.761)</b>	<b>(3.973.520)</b>	<b>3.852.065</b>	<b>6.049.799</b>	<b>1.072.786</b>	<b>(5.200.001)</b>	<b>620.368</b>

(\*) 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:**

<b>Current Period – 30 September 2016</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	0,03	0,49	-	2,78
Banks	-	-	-	8,05
Financial Assets at Fair Value Through Profit or Loss	5,15	6,71	-	7,35
Interbank Money Market Placements	0,15	0,43	-	-
Financial Assets Available-for-Sale (Net)	-	-	-	8,97
Loans	3,78	4,13	-	14,76
<b>Liabilities</b>				
Bank Deposits	-	0,47	-	8,23
Other Deposits	1,12	1,76	1,40	9,31
Funds From Interbank Money Market	-	-	-	7,50
Funds Borrowed	1,88	3,65	-	15,14

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**V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)**

<b>Prior Period – 31 December 2015</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	0,49	-	1,81
Banks	-	0,37	-	10,89
Financial Assets at Fair Value Through Profit or Loss (Net)	5,17	6,58	-	9,33
Interbank Money Market Placements	0,03	0,38	-	10,74
Financial Assets Available-for-Sale (Net)	-	-	-	9,15
<b>Loans</b>	<b>3,36</b>	<b>3,68</b>	<b>-</b>	<b>14,17</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	6,48
Other Deposits	0,95	1,66	1,23	10,35
Funds From Interbank Money Market	-	-	-	7,50
<b>Funds Borrowed</b>	<b>1,78</b>	<b>3,16</b>	<b>-</b>	<b>14,53</b>

**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 CONSOLIDATED LIQUIDITY RISK**

**Information about the liquidity risk management including factors such as risk capacity of the Parent 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 Parent Bank has adopted principle of funding the liquidity and funding management of the Parent Bank with core funding instruments. Funds required must be available even under stressed conditions particular to the Bank and the Market

The Parent Bank’s short term liquidity is managed by the Balance Sheet Management associated Treasury function. 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 inherent risk limits of liquidity. Within approved 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 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.

In addition to that, 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 in order to be taken of necessary actions. The aim of these meetings is to ensure that the negative net cash flow of the bank liquidity will not occur and be managed in a way that will not lead to excess 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.

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

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

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

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

Liquidity and funding management of the the Parent 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 are consisted 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. At the same time, 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 than assets.

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

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

Consolidated liquidity measurement of the Parent Banks’ total liquidity and selected currencies for short and long terms is planned within the context of strategic funding plan. FC and total internal risk limits approved by BoD exists.

**Information on liquidity risk mitigation techniques:**

In order to lower liquidity risk, internal liquidity limits above legal limits and liquidity buffer is used. 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 Parent Bank also uses derivative transactions in order to lower liquidity risks.



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

**Explanation of the usage of stress test:**

Along with legal liquidity risk calculations and restrictions, in terms of liquidity management, stress tests and scenario analyses formed up according to the international liquidity management policies of HSBC are used. In these scenarios, liquidity crisis scenarios of the Parent Bank and macro liquidity crisis scenarios are considered. Triggering factors of liquidity risk and prewarning signals are tracked. Analyses and results of 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. 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 Parent Bank, early warning indicators within graded liquidity crisis scenarios.

**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 to affect the results of liquidity coverage rate because of being liquid assets, having high volume in net cash outflows and having high rate of consideration.

Since the internal liquidity limits of the Parent 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.
- Fluctuation 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 are consisted of cash, effective depot, cheques purchased, time and demand deposit by CBT, overnight borrowing provided to banks via CBT in Interbank Money Market, reverse repurchase transactions and securities that are not subject to repurchase/collateral for providing liquidity.

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

**Components density of fund resources in all funds:**

The Parent Bank’s founding sources are consisted of real person and retail deposit, corporate bank deposits, repurchas agreements and borrowings. Deposits that are used for founding consists 55% 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, differences in derivative volumes because of FC derivatives used in the management of cash flows based on currencies and because of 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 aimed. 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 brances and consolidated subsidiaries while considering operational and legal factors hampering liquidity transfer:**

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

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

<b>Current Period – 30.09.2016</b>	<b>Total value to which the consideration ratio is not applied (*)</b>		<b>Total value to which the consideration ratio is applied (*)</b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			4.943.180	2.685.869
<b>Cash Outflows</b>				
Real person and retail deposits	11.871.235	6.587.284	944.616	572.795
Stable deposits	4.850.160	1.718.666	242.508	85.933
Less stable deposits	7.021.075	4.868.618	702.108	486.862
Unsecured debts other than real person and retail deposits	5.207.539	3.161.552	3.051.286	1.893.039
Operational deposits	91.793	-	4.590	-
Non-operational deposits	1.462.328	1.228.572	1.269.376	1.100.835
Other unsecured debts	3.653.418	1.932.980	1.777.320	792.204
Secured debts	-	-	-	-
Other cash outflows	22.533	1.909.901	22.533	1.909.901
Derivative liabilities and collateral completion liabilities	22.533	1.909.901	22.533	1.909.901
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	6.918.309	214.972	345.915	10.749
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	891.467	-	267.440	-
<b>TOTAL CASH OUTFLOWS</b>			<b>4.631.790</b>	<b>4.386.485</b>
<b>Cash inflows</b>				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.926.862	2.517.605	3.726.677	2.392.448
Other cash inflows	230.575	1.857.424	230.575	1.857.424
<b>TOTAL CASH INFLOWS</b>	<b>5.157.437</b>	<b>4.375.029</b>	<b>3.957.252</b>	<b>4.249.872</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY</b>			<b>4.943.180</b>	<b>2.685.869</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.157.947</b>	<b>1.096.621</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>426,89</b>	<b>244,92</b>

(\*) 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

	<b>Current Period - 30.09.2016</b>	
	<b>TL+FC</b>	<b>FC</b>
<b>Highest (%)</b>	489,74	395,02
<b>Date</b>	15.08.2016	15.08.2016
<b>Lowest (%)</b>	341,63	165,27
<b>Date</b>	19.09.2016	26.09.2016
<b>Average (%)</b>	426,89	244,92

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**VII. EXPLANATIONS ON CONSOLIDATED 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
<b>Prior Period – 31.12.2015</b>				
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			4.967.784	2.278.213
<b>Cash Outflows</b>				
Real person and retail deposits	14.060.614	7.417.264	1.122.866	646.599
Stable deposits	5.663.907	1.902.556	283.195	95.128
Less stable deposits	8.396.707	5.514.708	839.671	551.471
Unsecured debts other than real person and retail deposits	6.666.197	3.653.874	3.492.259	1.700.971
Operational deposits	141.665	-	7.083	-
Non-operational deposits	643.116	302.539	374.031	134.905
Other unsecured debts	5.881.416	3.351.335	3.111.145	1.566.066
Secured debts	-	-	-	-
Other cash outflows	-	33.393	-	33.393
Derivative liabilities and collateral completion liabilities	-	33.393	-	33.393
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	7.819.429	373.458	390.971	18.673
Other irrevocable or revocable (based on conditions) off-the-balance sheet debts	958.617	-	287.585	-
<b>TOTAL CASH OUTFLOWS</b>			<b>5.293.681</b>	<b>2.399.635</b>
<b>Cash inflows</b>				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.946.316	2.242.426	3.730.286	2.096.087
Other cash inflows	415.177	1.012.780	415.177	1.012.780
<b>TOTAL CASH INFLOWS</b>	<b>5.361.493</b>	<b>3.255.206</b>	<b>4.145.463</b>	<b>3.108.867</b>
				<b>Values to which the upper limit is applied</b>
<b>TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY</b>			<b>4.967.784</b>	<b>2.278.213</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.323.420</b>	<b>599.909</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>375,37</b>	<b>379,76</b>

(\*) 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
<b>Highest (%)</b>	317,82	571,88
<b>Date</b>	30.11.2015	31.12.2015
<b>Lowest (%)</b>	250,68	273,72
<b>Date</b>	31.12.2015	30.10.2015
<b>Average (%)</b>	375,37	379,76

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

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

<b>Current Period - 30 September 2016</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated</b>	<b>Total</b>
<b>Assets</b>								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	4.409.490	2.319.585	-	-	-	-	-	6.729.075
Banks	143.382	165.119	-	-	1.954	-	-	310.455
Financial Assets at Fair Value through Profit or Loss (Net)	5.196	78.709	605.467	462.181	258.092	123.859	-	1.533.504
Interbank Money Market Placements	-	2.576.699	-	-	-	-	-	2.576.699
Financial Assets Available-for-Sale	-	-	198.211	572.644	698.592	3.724	6.590	1.479.761
Loans (*)	-	5.071.707	2.783.600	2.655.580	4.412.103	888.278	478.169	16.289.437
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets (**)	-	70.981	-	7.927	337.159	-	157.881	573.948
<b>Total Assets</b>	<b>4.558.068</b>	<b>10.282.800</b>	<b>3.587.278</b>	<b>3.698.332</b>	<b>5.707.900</b>	<b>1.015.861</b>	<b>642.640</b>	<b>29.492.879</b>
<b>Liabilities</b>								
Bank Deposits	45.865	3.062.551	-	-	-	-	-	3.108.416
Other Deposits	2.836.530	10.142.437	2.146.639	207.020	885	-	-	15.333.511
Funds from Interbank Money Market	-	674.715	-	-	-	-	-	674.715
Miscellaneous Payables	-	219.820	72.854	51.314	148	-	499	344.635
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Funds Borrowed	11.563	81.832	643.671	1.448.295	2.132.991	1.695.661	-	6.014.013
Other Liabilities (***)	-	104.300	46.358	276.427	524.236	64.934	3.001.334	4.017.589
<b>Total Liabilities</b>	<b>2.893.958</b>	<b>14.285.655</b>	<b>2.909.522</b>	<b>1.983.056</b>	<b>2.658.260</b>	<b>1.760.595</b>	<b>3.001.833</b>	<b>29.492.879</b>
<b>Net Liquidity Gap</b>	<b>1.664.110</b>	<b>(4.002.855)</b>	<b>677.756</b>	<b>1.715.276</b>	<b>3.049.640</b>	<b>(744.734)</b>	<b>(2.359.193)</b>	<b>-</b>
<b>Prior Period - 31 December 2015</b>								
Total Assets	726.141	12.840.047	3.354.215	5.562.640	7.324.976	1.159.631	705.196	31.672.846
Total Liabilities	3.385.257	14.273.554	3.021.921	2.038.948	4.026.993	1.684.389	3.241.784	31.672.846
<b>Net Liquidity Gap</b>	<b>(2.659.116)</b>	<b>(1.433.507)</b>	<b>332.294</b>	<b>3.523.692</b>	<b>3.297.983</b>	<b>(524.758)</b>	<b>(2.536.588)</b>	<b>-</b>

(\*) Loans include the factoring receivables amounting to TL 386.503 (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 CONSOLIDATED 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.

	<b>Current Period 30.09.2016 (*)</b>	<b>Prior Period 31.12.2015 (*)</b>
<b>Assets On the Balance Sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	25.458.207	30.293.383
(Assets deducted from core capital)	(23.038)	(47.619)
Total risk amount for assets on the balance sheet	25.435.169	30.245.764
<b>Derivative Financial Instruments and Loan Derivatives</b>		
Renewal cost of derivative financial instruments and loan derivatives	673.623	775.367
Potential credit risk amount of derivative financial instruments and loan derivatives	497.272	612.385
Total risk amount of derivative financial instruments and loan derivatives	1.170.895	1.387.752
<b>Financing Transactions With Securities Or Goods Warranties</b>		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	76.580	38.133
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	76.580	38.133
<b>Off-the-Balance Sheet Transactions</b>		
Gross nominal amount of the off-the-balance sheet transactions	20.596.237	10.556.462
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	20.596.237	10.556.462
<b>Capital and Total Risk</b>		
Core capital	2.579.420	2.710.595
Total risk amount	47.278.881	42.228.111
<b>Leverage Ratio</b>		
Leverage Ratio (%)	5,46	6,42

(\*) Table represents three month average amounts.

	<b>Current Period (**)</b>	<b>Prior Period (**)</b>
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*)	27.622.265	30.767.063
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	(7.434)	(35.399)
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(497.272)	(612.386)
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	2.799.692	2.700.730
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
Total risk amount	47.278.883	42.228.111

(\*) Consolidated financial statements prepared in compliance with the Article 6 of the communiqué 5 “Preparation of Consolidated Financial Statements.

(\*\*) 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 September 2016:

- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of credit risk exposures under IRB
- 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 September 2016	Prior Period 31 December 2015	Current Period 30 September 2016
Credit risk (excluding counterparty credit risk) (CCR) (*)	20.157.068	23.819.295	1.612.565
Standardised approach (SA)	20.157.068	23.819.295	1.612.565
Internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	906.353	19.952	72.508
Standardised approach for counterparty credit risk (SA-CCR)	906.353	19.952	72.508
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 approach	-	-	-
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	993.113	1.293.831	79.449
Standardised approach (SA)	993.113	1.293.831	79.449
Internal model approaches (IMM)	-	-	-
Operational risk	3.336.981	3.307.776	266.958
Basic indicator approach	3.336.981	3.307.776	266.958
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>TOTAL</b>	<b>25.393.515</b>	<b>28.440.854</b>	<b>2.031.480</b>

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

In the retail banking segment, the Parent 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 Parent 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 Parent Bank provides loan and investment services, commercial card, insurance products, cash and risk management services to its customers. Also the Parent 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	Group's Total Activities
<b>Current Period – 30 September 2016</b>					
Operating Income	759.469	393.598	192.382	-	1.345.449
Other	-	-	-	-	-
<b>Operating Income</b>	<b>759.469</b>	<b>393.598</b>	<b>192.382</b>	<b>-</b>	<b>1.345.449</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(377.150)	121.181	144.672	(46.014)	(157.311)
<b>Profit/(Loss) before Tax</b>	<b>(377.150)</b>	<b>121.181</b>	<b>144.672</b>	<b>(46.014)</b>	<b>(157.311)</b>
Corporate Tax Provision(*)	-	-	-	(9.592)	(9.592)
<b>Profit/(Loss) after Tax</b>	<b>(377.150)</b>	<b>121.181</b>	<b>144.672</b>	<b>(55.606)</b>	<b>(166.903)</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit/(Loss) for the Period</b>	<b>(377.150)</b>	<b>121.181</b>	<b>144.672</b>	<b>(55.606)</b>	<b>(166.903)</b>
Segment Assets	6.789.825	12.904.521	9.798.263	-	29.492.609
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>6.789.825</b>	<b>12.904.521</b>	<b>9.798.263</b>	<b>270</b>	<b>29.492.879</b>
Segment Liabilities	12.261.744	7.451.291	5.594.475	4.185.369	29.492.879
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>12.261.744</b>	<b>7.451.291</b>	<b>5.594.475</b>	<b>4.185.369</b>	<b>29.492.879</b>
<b>Other Segment Items</b>	<b>(306.002)</b>	<b>(6.567)</b>	<b>(4.396)</b>	<b>-</b>	<b>(316.965)</b>
Capital Investment	-	-	-	-	-
Amortization	(28.103)	(6.567)	(2.536)	-	(37.206)
Impairment	-	-	(1.860)	-	(1.860)
Non-Cash Other Income-Expense(**)	(277.899)	-	-	-	(277.899)

(\*) Corporate tax provision is not distributed.

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



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**XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)**

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Group’s Total Activities
<b>Prior Period – 31 December 2015</b>					
Operating Income (***)	877.146	381.179	205.520	-	1.463.845
Other(***)	-	-	-	-	-
<b>Operating Income(***)</b>	<b>877.146</b>	<b>381.179</b>	<b>205.520</b>	<b>-</b>	<b>1.463.845</b>
Segment Net Profit (***)	-	-	-	-	-
Undistributed Cost(***)	-	-	-	-	-
Operating Profit(***)	(365.121)	44.486	164.198	(12.527)	(168.964)
<b>Profit before Tax(***)</b>	<b>(365.121)</b>	<b>44.486</b>	<b>164.198</b>	<b>(12.527)</b>	<b>(168.964)</b>
Corporate Tax Provision(*)(***)	-	-	-	(56.716)	(56.716)
<b>Profit after Tax(***)</b>	<b>(365.121)</b>	<b>44.486</b>	<b>164.198</b>	<b>(69.243)</b>	<b>(225.680)</b>
Non-Controlling Interest(***)	-	-	-	-	-
<b>Net Profit for the Period(***)</b>	<b>(365.121)</b>	<b>44.486</b>	<b>164.198</b>	<b>(69.243)</b>	<b>(225.680)</b>
Segment Assets	8.205.524	13.457.128	10.009.924	-	31.672.576
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>8.205.524</b>	<b>13.457.128</b>	<b>10.009.924</b>	<b>270</b>	<b>31.672.846</b>
Segment Liabilities	18.864.039	5.388.985	7.419.822	-	31.672.846
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>18.864.039</b>	<b>5.388.985</b>	<b>7.419.822</b>	<b>-</b>	<b>31.672.846</b>
<b>Other Segment Items (***)</b>	<b>383.937</b>	<b>(7.291)</b>	<b>(5.238)</b>	<b>-</b>	<b>371.408</b>
Capital Investment	-	-	-	-	-
Amortization	(32.727)	(7.291)	(2.416)	-	(42.434)
Impairment	-	-	(2.822)	-	(2.822)
Non-Cash Other Income-Expense (**)	416.664	-	-	-	416.664

(\*) 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 period ended 30 September 2015.

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**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS**

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

**1. Information on cash equivalents and the account of the CBRT:**

	Current Period 30 September 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Cash/Foreign Currency	185.052	146.153	217.225	216.614
The CBRT	135.019	6.245.461	114.993	2.831.815
Other (*)	-	17.390	280	13.547
<b>Total</b>	<b>320.071</b>	<b>6.409.004</b>	<b>332.498</b>	<b>3.061.976</b>

(\*) As of 30 September 2016, account of Precious Metal is amounting to TL 17.390, and the Bank has no money in transit. (31 December 2015: Precious metal: TL 13.547, Money in Transit: TL 280).

**2. Information related to the account of the CBRT:**

	Current Period 30 September 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Unrestricted Demand Deposit	135.019	2.223	114.993	1.444
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	3.923.653	-	-
Reserve Requirements	-	2.319.585	-	2.830.371
<b>Total</b>	<b>135.019</b>	<b>6.245.461</b>	<b>114.993</b>	<b>2.831.815</b>

**3. Explanations on reserve requirements:**

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

As of 30 September 2016, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 4% - 10,50% (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 THE CONSOLIDATED 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:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
Collateral/Blocked	271.711	124.562
Repurchase Agreement	387.305	245.434
Unrestricted	361.347	650.837
<b>Total</b>	<b>1.020.363</b>	<b>1.020.833</b>

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

	<b>Current Period 30 September 2016</b>		<b>Prior Period 31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	6.144	33.977	28.508	52.167
Swap Transactions	140.478	250.323	339.911	177.089
Futures Transactions	-	-	-	-
Options	-	82.219	-	53.759
Other	-	-	-	-
<b>Total</b>	<b>146.622</b>	<b>366.519</b>	<b>368.419</b>	<b>283.015</b>

**c. Information on banks:**

**1. Information on banks and other financial institutions:**

	<b>Current Period 30 September 2016</b>		<b>Prior Period 31 December 2015</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Banks</b>				
Domestic	171.179	2	19.896	344.449
Foreign	59.491	79.783	58.389	92.914
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>230.670</b>	<b>79.785</b>	<b>78.285</b>	<b>437.363</b>

**2. Information on foreign banks account:**

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 THE CONSOLIDATED ASSETS (Continued)**

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

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

	Current Period 30 September 2016	Prior Period 31 December 2015
Collateral/Blocked	724.319	6.430
Repurchase Agreement	285.588	546.167
Unrestricted	469.854	101.680
<b>Total</b>	<b>1.479.761</b>	<b>654.277</b>

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

	Current Period 30 September 2016	Prior Period 31 December 2015
<b>Debt Securities</b>	<b>1.476.355</b>	<b>628.321</b>
Quoted to Stock Exchange	1.476.355	628.321
Not Quoted	-	-
<b>Share Certificate</b>	<b>6.590</b>	<b>29.795</b>
Quoted to Stock Exchange	-	-
Not Quoted	6.590	29.795
<b>Impairment Provision (-)</b>	<b>3.184</b>	<b>3.839</b>
<b>Total</b>	<b>1.479.761</b>	<b>654.277</b>

**e. Information related to loans:**

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

	Current Period 30 September 2016		Prior Period 31 December 2015	
	Cash	Non-cash	Cash	Non-cash
<b>Direct Loans Granted to Shareholders</b>	-	202.058	-	214.994
Corporate Shareholders	-	202.058	-	214.994
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	38.726	537.356	20.399	523.499
<b>Loans Granted to Employees</b>	18.050	-	22.321	-
<b>Total</b>	<b>56.776</b>	<b>739.414</b>	<b>42.720</b>	<b>738.493</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	Other	Loans and Other Receivables	Loans and other receivables with revised contract terms	Other
		Restructured or Rescheduled	Other		Restructured or Rescheduled	Other
<b>Non-specialised Loans</b>	<b>14.219.724</b>	<b>584.029</b>	-	<b>625.514</b>	<b>382.001</b>	-
Commercial Loans	6.819.659	531.489	-	308.173	312.238	-
Export Loans	380.877	8.436	-	3.436	1.046	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	351.199	-	-	-	-	-
Consumer Loans	2.852.836	3.771	-	152.415	9.139	-
Credit Cards	2.788.654	38.508	-	148.643	58.531	-
Other (*)	1.026.499	1.825	-	12.847	1.047	-
<b>Specialised Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>14.219.724</b>	<b>584.029</b>	-	<b>625.514</b>	<b>382.001</b>	-

(\*) Includes the factoring receivables amounting to TL 386.503 .

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
Extended by 1 or 2 times	542.259	382.001
Extended by 3, 4 or 5 times	41.770	-
Extended by more than 5 times	-	-
<b>Total</b>	<b>584.029</b>	<b>382.001</b>

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 – 6 Months	63.806	9.334
6 – 12 Months	108.003	6.928
1 – 2 Years	193.725	58.242
2 – 5 Years	203.859	145.286
5 Years or More	14.636	162.211
<b>Total</b>	<b>584.029</b>	<b>382.001</b>

**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 THE CONSOLIDATED ASSETS (Continued)**

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

	Short-term	Medium and Long-term	Total
<b>Consumer Loans-TL</b>	<b>50.884</b>	<b>2.623.986</b>	<b>2.674.870</b>
Mortgage Loans	-	1.079.231	1.079.231
Automotive Loans	13	6.380	6.393
Consumer Loans	50.871	1.530.997	1.581.868
Other	-	7.378	7.378
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>1.753</b>	<b>1.753</b>
Mortgage Loans	-	1.739	1.739
Automotive Loans	-	-	-
Consumer Loans	-	14	14
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>2.916.794</b>	<b>94.759</b>	<b>3.011.553</b>
Instalment	1.025.943	94.759	1.120.702
None Instalment	1.890.851	-	1.890.851
<b>Individual Credit Cards-FC</b>	<b>7.912</b>	<b>-</b>	<b>7.912</b>
Instalment	-	-	-
None Instalment	7.912	-	7.912
<b>Personnel Loans-TL</b>	<b>990</b>	<b>10.873</b>	<b>11.863</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	990	10.873	11.863
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>6.141</b>	<b>-</b>	<b>6.141</b>
Instalment	2.564	-	2.564
None Instalment	3.577	-	3.577
<b>Personnel Credit Cards-FC</b>	<b>46</b>	<b>-</b>	<b>46</b>
With Instalment	-	-	-
Without Instalment	46	-	46
<b>Overdraft Account-TL (Individual)</b>	<b>329.675</b>	<b>-</b>	<b>329.675</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>3.312.442</b>	<b>2.731.371</b>	<b>6.043.813</b>

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

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

	Short-term	Medium and Long-term	Total
<b>Commercial Instalment Loans-TL</b>	<b>16.273</b>	<b>275.092</b>	<b>291.365</b>
Mortgage Loans	-	2.415	2.415
Automotive Loans	-	1.988	1.988
Consumer Loans	16.273	270.689	286.962
Other	-	-	-
<b>Commercial Instalment Loans- Indexed to FC</b>	<b>10.213</b>	<b>183.657</b>	<b>193.870</b>
Mortgage Loans	-	7.897	7.897
Automotive Loans	-	7.415	7.415
Consumer Loans	10.213	168.345	178.558
Other	-	-	-
<b>Commercial Instalment Loans-FC</b>	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>8.043</b>	<b>1</b>	<b>8.044</b>
Instalment	1.701	1	1.702
None Instalment	6.342	-	6.342
<b>Corporate Credit Cards-FC</b>	<b>640</b>	-	<b>640</b>
With Instalment	-	-	-
None Instalment	640	-	640
<b>Overdraft Account-TL (Commercial)</b>	<b>27.685</b>	-	<b>27.685</b>
<b>Overdraft Account-FC (Commercial)</b>	-	-	-
<b>Total</b>	<b>62.854</b>	<b>458.750</b>	<b>521.604</b>

**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. Distribution of domestic and foreign loans(\*):**

	Current Period 30 September 2016	Prior Period 31 December 2015
Domestic Loans	15.303.910	20.112.061
Foreign Loans	507.358	507.828
<b>Total</b>	<b>15.811.268</b>	<b>20.619.889</b>

(\*) Includes the factoring receivables amounting to TL 386.503 (31 December 2015: TL 584.068).

**8. Loans granted to investments in associates and subsidiaries:**

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

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

**9. Specific provisions for loans:**

	Current Period 30 September 2016	Prior Period 31 December 2015
Loans and Receivables with Limited Collectability	33.540	31.486
Loans and Receivables with Doubtful Collectability	140.521	145.851
Uncollectible Loans and Receivables	687.016	608.665
<b>Total</b>	<b>861.077</b>	<b>786.002</b>

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
<b>Current Period: 30 September 2016</b>			
<b>(Gross Amounts Before Specific Provisions)</b>			
Restructured Loans and Other Receivables	4.055	7.865	10.950
Rescheduled Loans and Other Receivables	-	-	-
<b>Prior Period: 31 December 2015</b>			
<b>(Gross Amounts Before Specific Provisions)</b>			
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 Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
<b>Balance at the end of Prior Period: 31 December 2015</b>	<b>175.867</b>	<b>319.357</b>	<b>749.861</b>
Additions (+)	556.773	4.195	7.511
Transfers from Other Categories of Non-Performing Loans (+)	3.911	497.701	374.039
Transfers to Other Categories of Non-Performing Loans (-)	496.983	375.665	3.002
Collections (-)	49.093	94.170	44.451
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	-	-	-
<b>Balance at the End of the Period: 30 September 2016</b>	<b>190.475</b>	<b>331.289</b>	<b>817.482</b>
Specific Provisions (-)	33.540	140.521	687.016
<b>Net Balance on Balance Sheet</b>	<b>156.935</b>	<b>190.768</b>	<b>130.466</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other Receivables with Limited Collectability</b>	<b>Loans and Other Receivables with Doubtful Collectability</b>	<b>Uncollectible Loans and Other Receivables</b>
<b>Current Period: 30 September 2016</b>			
Balance at the End of the Period	-	-	202
Specific Provisions (-)	-	-	96
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>106</b>
<b>Prior Period: 31 December 2015</b>			
Balance at the End of the Period	-	-	330
Specific Provisions (-)	-	-	115
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>215</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other Receivables with Limited Collectability</b>	<b>Loans and Other Receivables with Doubtful Collectability</b>	<b>Uncollectible Loans and Other Receivables</b>
<b>Current Period (Net): : 30 September 2016</b>			
Loans granted to corporate entities and real persons (Gross)	190.475	331.289	817.482
Specific Provisions Amount (-)	33.540	140.521	687.016
Loans granted to corporate entities and real persons (Net)	156.935	190.768	130.466
Banks (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
<b>Prior Period (Net): 31 December 2015</b>	<b>144.381</b>	<b>173.506</b>	<b>141.196</b>
Loans granted to corporate entities and real persons (Gross)	175.867	319.357	749.861
Specific Provisions Amount (-)	31.486	145.851	608.665
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 Parent Bank's top management occurs.

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**12. Explanations on the write-off policy of :**

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

**f. Investments held-to-maturity:**

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

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

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

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

**3. Information on investment held-to-maturity is:**

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

**4. The movement of investment securities Held-to-maturity:**

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

**g. Information on associates (Net):**

The Group has no associates as of 30 September 2016 and 31 December 2015.

**h. Information on subsidiaries (Net):**

**1. Information on unconsolidated/subsidiaries:**

**a) Unconsolidated subsidiaries:**

	<b>Title</b>	<b>Address (City/Country)</b>	<b>The Parent Bank's share percentage – If different voting percentage (%)</b>	<b>Bank's risk group share percentage (%)</b>
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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**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 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 to 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 subsidiaries, in the order of the below 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	102.842	87.274	336	4.425	1.991	15.006	17.323	-

(\*) Prepared with non-audited financial statements as of 30 September 2016.

(\*\*) Prior period amount is the amount as of 30 September 2015.

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

**3. Movement schedule of the consolidated subsidiaries:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
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:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

**5. Subsidiaries quoted on a stock exchange:**

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

**i. Information on jointly controlled entities:**

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

**j. Information on leasing receivables (Net):**

As of 30 September 2016 and 31 December 2015, the Group has no finance lease.

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

**k. Explanations on hedging derivative financial assets:**

	Current Period 30 September 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	19.475	-	20.666	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>19.475</b>	<b>-</b>	<b>20.666</b>	<b>-</b>

**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. Explanations 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. Explanations on the investment properties:**

As of 30 September 2016 and 31 December 2015, the Group has no investment properties.

**o. Explanations on deferred tax asset:**

Group’s deferred tax assets as of 30 September 2016 are explained in Note XVIII of Section Three.

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

As of 30 September 2016, assets held for sale of the Group is TL 2.764 (31 December 2015: TL 3.444).

**q. Information on other assets:**

	Current Period 30 September 2016	Prior Period 31 December 2015
Miscellaneous Receivables	308.011	129.038
Debited Suspence Accounts	89.172	114.474
Prepaid Expenses	45.441	42.695
Other Rediscount Income	8.385	13.925
Other Assets	7.679	6.503
<b>Total</b>	<b>458.688</b>	<b>306.635</b>

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

As of 30 September 2016 and 31 December 2015, the Group has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES**

**a. Information on deposits**

**1. Information on maturity structure of the deposits:**

The Group has no deposits with 7 days maturity and no cumulative deposits.

**1 (i). Current Period – 30 September 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	483.532	-	-1.088.434	3.360.666	147.982	44.948	27.092	-	5.152.654
Foreign Currency Deposits	1.683.945	-	-1.884.379	4.329.576	205.113	102.218	51.514	-	8.256.745
Residents in Turkey	1.369.113	-	-	3.771.477	167.880	76.139	20.671	-	7.165.686
Residents Abroad	314.832	-	123.973	558.099	37.233	26.079	30.843	-	1.091.059
Public Sector Deposits	114.382	-	-	-	-	-	-	-	114.382
Commercial Deposits	295.777	-	891.285	285.455	5.437	1.723	2.344	-	1.482.021
Other Institutions Deposits	25.066	-	2.071	6.424	29	-	6	-	33.596
Precious Metal Deposit	234.110	-	2.346	52.629	967	4.059	-	-	294.111
Bank Deposits	45.865	-	-3.062.553	-	-	-	-	-	3.108.418
The CBRT	-	-	-2.800.642	-	-	-	-	-	2.800.642
Domestic Banks	-	-	246.776	-	-	-	-	-	246.776
Foreign Banks	45.865	-	15.135	-	-	-	-	-	61.000
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2.882.677</b>	<b>-</b>	<b>-6.931.068</b>	<b>8.034.750</b>	<b>359.528</b>	<b>152.948</b>	<b>80.956</b>	<b>-</b>	<b>-18.441.927</b>

**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	-	-	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	-	961.895	604.159	3.336	4.430	3.786	-	2.005.025
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3.357.149</b>	<b>-</b>	<b>-4.655.491</b>	<b>10.407.916</b>	<b>309.074</b>	<b>173.998</b>	<b>113.147</b>	<b>-</b>	<b>-19.016.775</b>

**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 Insurance		Exceeding Deposit Insurance Limit	
	Current Period 30 September 2016	Prior Period 31 December 2015	Current Period 30 September 2016	Prior Period 31 December 2015
Saving Deposits	3.027.863	3.691.680	2.051.592	2.772.740
Foreign Currency Saving Deposits	1.654.094	1.807.137	4.553.708	5.124.312
Other Deposits in the Form of Saving Deposits	13.285	12.621	57.217	55.859
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	132.073	157.247	131.933	165.793
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
<b>Total</b>	<b>4.827.315</b>	<b>5.668.685</b>	<b>6.794.450</b>	<b>8.118.704</b>

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

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

	Current Period 30 September 2016	Prior Period 31 December 2015
Foreign Branches' Deposits and other accounts	131.933	165.793
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their worship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their worship	15.888	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 Solely	-	-

**b. Information on trading derivative financial liabilities:**

**Table of negative differences for trading derivative financial liabilities:**

	Current Period 30 September 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Forward Transactions	15.498	27.218	16.306	61.093
Swap Transactions	107.689	162.335	83.613	141.810
Future Transactions	-	-	-	-
Options	-	82.882	-	54.346
Other	-	-	-	-
<b>Total</b>	<b>123.187</b>	<b>272.435</b>	<b>99.919</b>	<b>257.249</b>

**c. Information on repurchase agreements:**

As of 30 September 2016, the Group has repurchase agreements amounting to TL 674.715 (31 December 2015: TL 790.709).

**d. Information on funds borrowed:**

**1. Information on banks and other financial institutions:**

	Current Period 30 September 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	3.001	3.630	9.650	2.919
From Foreign Banks, Institutions and Funds	424.887	3.886.834	612.735	4.726.289
<b>Total</b>	<b>427.888</b>	<b>3.890.464</b>	<b>622.385</b>	<b>4.729.208</b>

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**2. Information on maturity structure of funds borrowed:**

	Current Period 30 September 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Short-term	3.001	96.251	9.650	336.084
Medium and Long-term	424.887	3.794.213	612.735	4.393.124
<b>Total</b>	<b>427.888</b>	<b>3.890.464</b>	<b>622.385</b>	<b>4.729.208</b>

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

The Group diversifies funding sources with customer deposits and borrowings from foreign countries.

**e. Information on other liabilities:**

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

**f. Information on leasing agreements:**

**1. Explanations on obligations under financial leases:**

None (31 December 2015: None).

**2. Explanations on operational lease:**

The Parent Bank makes a contract which is operating lease agreement for its some branches and ATMs. Lease agreements are made on an annual basis and annual lease payment is paid in advance. In accordance with that payment is accounted under prepaid expenses of “Other Assets” account.

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

	Current Period 30 September 2016	Prior Period 31 December 2015
Less Than 1 Year	23.611	31.372
Between 1- 4 Years	6.321	13.624
More Than 4 Years	1.011	2.978
<b>Total</b>	<b>30.943</b>	<b>47.974</b>



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**II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES (Continued)**

**g. Information on derivative financial liabilities for hedging purposes:**

	Current Period 30 September 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	34.109	-	10.800	-
Hedge of net investment in foreign operations	-	-	-	-
<b>Total</b>	<b>34.109</b>		<b>10.800</b>	

**h. Information on provisions:**

**1. Information on general provisions:**

	Current Period 30 September 2016	Prior Period 31 December 2015
<b>General Provisions</b>	<b>387.088</b>	<b>457.075</b>
Provisions for First Group Loans and Receivables	264.112	325.078
Additional Provision for Loans and Receivables with Extended Maturities	19.855	22.606
Provisions for Second Group Loans and Receivables	34.270	30.017
Additional Provision for Loans and Receivables with Extended Maturities	16.444	16.083
Provisions for Non-Cash Loans	31.533	43.194
Other	20.874	20.097

**2. Information on employee benefit provisions:**

As of 30 September 2016 the Group has employee termination benefit provision amounting to TL 57.243 (31 December 2015: TL 55.220), and unused vacation provision amounting to TL 8.836 (31 December 2015: TL 6.204).

In accordance with existing Turkish Labour Law, the Group 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 registration.

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 4.297,21 (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 Group 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 4.297,21 (full TL) (31 December 2015: TL 3.828,37 (full TL)).

	Current Period 30 September 2016	Prior Period 31 December 2015
<b>Balances at End of Prior Period</b>	<b>55.220</b>	<b>29.113</b>
Provision booked in current period	22.775	35.010
Reversal of previous year provision (-)	832	-
Provision paid in current period (-)	19.920	8.903
<b>Balances at End of the Period</b>	<b>57.243</b>	<b>55.220</b>

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

As of 30 September 2016, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 539 (31 December 2015: TL 16.676), is offset with the balance of foreign currency indexed loans.

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

As of 30 September 2016, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 197 (31 December 2015: TL 174).

**5. Information on other provisions:**

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

As of 30 September 2016 and 31 December 2015, the Group 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:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
Unpaid cheques received on time	18.005	24.157
Provision for lawsuits	18.489	13.761
Provision for accumulated credit card bonus	5.634	6.270
Return provision of case file expenses	2.969	4.111
Specific provision for non-cash loans that are non-funded and non-transformed into cash	197	174
Other provisions (*)	124.995	24.918
<b>Total</b>	<b>170.289</b>	<b>73.391</b>

(\*) Parent Bank recognized a provision of TL 102 thousand as of 30 September 2016 financials for the associated restructuring costs where the details are given in note II of section I.

**i. Explanations on tax liability:**

**1. Explanations on current tax liability:**

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

**1(i). Information on taxes payable:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
Corporate Taxes Payable	2.137	2.415
Taxation on Marketable Securities	10.488	14.153
Capital Gains Tax on Property	812	1.162
Banking Insurance Transaction Tax (BITT)	10.066	13.581
Foreign Exchange Transaction Tax	9	14
Value Added Tax Payable	1.023	2.035
Other (*)	10.630	12.803
<b>Total</b>	<b>35.165</b>	<b>46.163</b>

(\*) As of 30 September 2016, other taxes payable account consists of payroll tax amounting to TL 8.123 (31 December 2015: TL 10.171), stamp tax amounting to TL 229 (31 December 2015: TL 273), other taxes amounting to TL 2.234 (31 December 2015: TL 2.352), and self-employed income tax amounting to TL 44 (31 December 2015: TL 7).

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**1 (ii). Information on premium payables:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
Social Security Premiums – Employee	4.112	3.496
Social Security Premiums – Employer	4.621	3.953
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	307	258
Unemployment Insurance – Employer	642	546
Other	-	-
<b>Total</b>	<b>9.682</b>	<b>8.253</b>

**2. Information on deferred tax liability:**

Information on the Group’s deferred tax liability as of 30 September 2016 is explained in Note XVIII of Section Three.

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

As of 30 September 2016 and 31 December 2015, the Group has no liabilities for asset held for sale and related to discontinued operations.

**k. Explanations on the number, maturity, interest rate, provider organization of subordinated loans used by the Group 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:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

Amount of paid-in capital has presented in notional amount. As of 30 September 2016, the Parent 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.

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**3. Information on the share capital increases during the period and other informations:**

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

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

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

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

The Group has no capital commitments.

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

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

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

Share structure of the Parent Bank does not consist privileges given to shares representing the capital.

**8. Information on marketable securities value increase fund:**

	Current Period 30 September 2016		Prior Period 31 December 2015	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	22.295	-	(4.190)	20.328
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>22.295</b>	<b>-</b>	<b>(4.190)</b>	<b>20.328</b>

**9. Information on revaluation value increase fund:**

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

**10. Information on legal reserves:**

	Current Period 30 September 2016	Prior Period 31 December 2015
First Legal Reserve	137.660	137.895
Second Legal Reserve	65.262	61.708
Legal Reserves according to Special Legislation	-	-
<b>Total</b>	<b>202.922</b>	<b>199.603</b>

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**11. Information on extraordinary reserves:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
Reserves Allocated per General Assembly Minutes	1.488.831	1.817.221
Undivided Profit	97.844	97.844
Accumulated Loss	-	-
Translation Difference	-	-
<b>Total</b>	<b>1.586.675</b>	<b>1.915.065</b>

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

The whole capital of the Parent Bank belongs to HSBC Bank Plc, a bank established according to the laws of the United Kingdom, whose headquarters is located in the United Kingdom.

**III. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS**

**a. Explanations on off-balance sheet commitments:**

**1. Type and amount of irrevocable commitments:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
Asset Purchase and Sale Commitments	12.387.731	24.022.597
Commitments for Credit Card Limits	4.930.860	5.373.983
Deposit Purchase and Sales Commitments	754.067	-
Commitments for Cheques	513.692	545.564
Loan Granting Commitments	423.467	501.356
Short Sale Commitments	314.506	50
Commitments for Credit Cards and Banking Services Promotions	18.845	20.325
Tax and Fund Liabilities from Export Commitments	5.510	5.330
Other Irrevocable Commitments	798.688	968.711
<b>Total</b>	<b>20.147.366</b>	<b>31.437.916</b>

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

The Group 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:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
Letters of Guarantee	1.669.437	1.668.205
Letters of Credit	167.497	595.235
Bank Acceptances	127.076	470.727
Other Guarantees	270.461	339.952
<b>Total</b>	<b>2.234.471</b>	<b>3.074.119</b>

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

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

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

**3. Explanations on the non-cash loans:**

**3 (i). Total non-cash loans:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 31 December 2015</b>
<b>Non-Cash Given For Cash Loan Risks</b>	<b>1.149</b>	<b>2.167</b>
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	1.149	2.167
<b>Other Non-Cash Loans</b>	<b>2.233.322</b>	<b>3.071.952</b>
<b>Total</b>	<b>2.234.471</b>	<b>3.074.119</b>

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

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

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

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

**b. Explanations on derivative transactions:**

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 September 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 Group has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 September 2016, the total amount of these lawsuits filed against the Bank is TL 41.472 (31 December 2015: TL 47.857). A total provision of TL 21.458 (31 December 2015: TL 18.304) has been made for those lawsuits as the probability of being concluded against the Group is higher than the probability of their concluding in its favour, with TL 2.969 (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 Group acts as an investment agent for the trading of marketable securities and provides custodian services on behalf of its customer.

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT**

**a. Information on interest income:**

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

	Current Period 30 September 2016		Prior Period 30 September 2015	
	TL	FC	TL	FC
Short-term Loans	744.261	25.083	715.045	36.705
Medium and Long-Term Loans	463.958	141.462	546.095	140.128
Interest on Loans Under Follow-Up	25.106	-	19.148	-
<b>Total</b>	<b>1.233.325</b>	<b>166.545</b>	<b>1.280.288</b>	<b>176.833</b>

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

**2. Information on interest income received from banks:**

	Current Period 30 September 2016		Prior Period 30 September 2015	
	TL	FC	TL	FC
From the CBRT	-	238	-	-
From Domestic Banks	4.474	2.145	89.807	831
From Foreign Banks	2.616	558	750	467
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>7.090</b>	<b>2.941</b>	<b>90.557</b>	<b>1.298</b>

**3. Information on interest income on marketable securities:**

	Current Period 30 September 2016		Prior Period 30 September 2015	
	TL	FC	TL	FC
Financial Assets Held For Trading	54.702	423	68.385	477
Financial Assets At Fair Value Through Profit/Loss	-	-	-	-
Financial Assets Available For Sale	67.905	-	26.795	-
Investments Held to Maturity	-	-	-	-
<b>Total</b>	<b>122.607</b>	<b>423</b>	<b>95.180</b>	<b>477</b>

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

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

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

**b. Information on interest expense:**

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

	Current Period 30 September 2016		Prior Period 30 September 2015	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	545	108	640	30
Foreign Banks	58.112	125.398	107.643	97.323
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>58.657</b>	<b>125.506</b>	<b>108.283</b>	<b>97.353</b>

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

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

None.

**3. Information on interest expense given on securities issued:**

The Group does not have any interest expense given on securities issued as of 30 September 2016 and 30 September 2015

**4. Maturity structure of the interest expense on deposits:**

Current Period: 30 September 2016	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
<b>Turkish Lira</b>								
Interbank deposits	-	15.800	-	-	-	-	-	15.800
Saving deposits	-	88.027	309.962	13.596	3.553	2.529	-	417.667
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	49.778	23.057	230	218	170	-	73.453
Other deposit	-	98	626	4	-	4	-	732
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>153.70</b>	<b>333.645</b>	<b>13.830</b>	<b>3.771</b>	<b>2.703</b>	<b>-</b>	<b>507.652</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	17.971	54.944	1.911	1.062	500	-	76.388
Interbank deposits	-	71	-	-	-	-	-	71
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	424	15	20	-	-	459
<b>Total</b>	<b>-</b>	<b>18.042</b>	<b>55.368</b>	<b>1.926</b>	<b>1.082</b>	<b>500</b>	<b>-</b>	<b>76.918</b>
<b>Grand Total</b>	<b>-</b>	<b>171.74</b>	<b>389.013</b>	<b>15.756</b>	<b>4.853</b>	<b>3.203</b>	<b>-</b>	<b>584.570</b>



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

Prior Period: 30 September 2015	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More Than 1 year		
<b>Turkish Lira</b>								
Interbank deposits	-	4.504	-	-	-	-	-	4.504
Saving deposits	-	219.335	287.894	19.228	5.807	4.077	-	536.341
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	66.186	22.892	2.134	899	176	-	92.287
Other deposit	-	273	699	9	4	4	-	989
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>290.298</b>	<b>311.485</b>	<b>21.371</b>	<b>6.710</b>	<b>4.257</b>	<b>-</b>	<b>634.121</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	16.378	44.744	2.391	1.044	1.247	-	65.804
Interbank deposits	-	9	-	-	-	-	-	9
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	325	15	20	-	-	360
<b>Total</b>	<b>-</b>	<b>16.387</b>	<b>45.069</b>	<b>2.406</b>	<b>1.064</b>	<b>1.247</b>	<b>-</b>	<b>66.173</b>
<b>Grand Total</b>	<b>-</b>	<b>306.685</b>	<b>356.554</b>	<b>23.777</b>	<b>7.774</b>	<b>5.504</b>	<b>-</b>	<b>700.294</b>

**I. Information on interest given on repurchase agreement:**

As of 30 September 2016, the Parent Bank has interest given on repurchase agreement amounting to TL 40.554 (30 September 2015: TL 47.698).

**5. Information on financial lease expense:**

The Group has no financial lease expense as of 30 September 2016 and 30 September 2015.

**6. Information on interest expenses given on factoring payables:**

The Group has no interest given on factoring payables as of 30 September 2016 and 30 September 2015.

**c. Explanations on dividend income:**

As of 30 September 2016, the Group has no share in the dividend distribution of its subsidiaries. (30 September 2015: 2.289).

**d. Explanations on trading income/loss (net):**

**1. Trading income/loss (net):**

	Current Period 30 September 2016	Prior Period 30 September 2015
<b>Profit</b>	<b>60.152.901</b>	<b>61.660.694</b>
Capital Market Transactions Income	51.208	29.961
Gain on Derivative Financial Transactions	3.911.745	6.063.605
Foreign Exchange Gains	56.189.948	55.567.128
<b>Loss (-)</b>	<b>60.112.125</b>	<b>61.663.884</b>
Capital Market Transactions Loss	16.587	48.375
Loss on Derivative Financial Transactions	3.892.626	5.300.507
Foreign Exchange Loss	56.202.912	56.315.002
<b>Total (Net)</b>	<b>40.776</b>	<b>(3.190)</b>

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

**2. Explanations on derivative instruments gain/loss:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 30 September 2015</b>
Effect of the change in exchange rates on profit/loss	(95.147)	388.184
Effect of the change in interest rates on profit/loss	114.266	374.914
<b>Total (Net)</b>	<b>19.119</b>	<b>763.098</b>

**e. Explanations on other operating income:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 30 September 2015</b>
Reverse of previous years expenses	155.775	72.891
Gain on sale of non performing loan (*)	41.327	60.578
Gain on Visa share sales	31.843	-
Provision for telecommunication expense	1.940	1.657
Gain on sale of assets	1.247	17.831
Other income	13.316	17.410
<b>Total</b>	<b>245.448</b>	<b>170.367</b>

(\*) 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:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 30 September 2015</b>
Specific Provisions for Loans and Other Receivables	415.996	444.317
III. Group Loans and Receivables	33.375	16.309
IV. Group Loans and Receivables	138.173	72.681
V. Group Loans and Receivables	244.448	355.327
General Provision Expenses	-	86.540
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	1.860	2.822
Financial Assets at Fair Value Through Profit or Loss	76	932
Available-for-sale Financial Assets	1.784	1.890
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	119.576	10.026
<b>Total</b>	<b>537.432</b>	<b>543.705</b>

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

**g. Information related to other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2016</b>	<b>30 September 2015</b>
Personnel Expenses	434.345	445.113
Reserve for Employee Termination Benefits	16.789	7.997
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	21.595	28.274
Impairment Expenses of Intangible Assets	-	83.450
Goodwill Impairment Expenses	-	83.450
Amortization Expenses of Intangible Assets	15.556	14.108
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	55	52
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	269.154	298.536
Operational Lease Expenses	116.508	120.293
Maintenance Expenses	27.065	25.477
Maintenance Licence Expenses	23.740	19.679
Communication Expenses	21.073	25.623
Banking Services Promotion Expenses	14.177	16.729
Shipping Expenses	10.800	11.189
Building Expenses	8.685	9.924
Cleaning Expenses	8.408	9.805
Advertisement Expenses	8.261	22.197
Insurance Expenses	5.963	5.798
Monthly Payment Expenses	3.476	6.152
Other Expenses	20.998	25.670
Tax, Duties, Charges and Funds Expenses	36.962	39.449
Saving Deposit Insurance Fund Expenses	31.955	38.067
Cancellation Fee Expenses	19.349	24.097
Audit and Consultancy Fee	12.374	11.843
Loss on Sales of Assets	4.086	742
BRSA Participation Fee	3.805	4.076
Printing Expenses	2.178	3.036
Other	97.125	90.264
<b>Total</b>	<b>965.328</b>	<b>1.089.104</b>

**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. Explanation on tax provision for continuing and discontinued operations:**

As of 30 September 2016, the Group has corporate tax provision expense amounting to TL 6.214 (30 September 2015: TL 11.004 expense) and deferred tax expense amounting to TL 3.378 (30 September 2015: TL 45.712 expense).

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

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

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

**k. Explanations 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 737.009 (30 September 2015: TL 885.690), net wage and commission income amounting to TL 322.216 (30 September 2015: TL 408.689) have an important role among the income items in the interim accounting period ending on 30 September 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 Group’s interest income are the interests received from loans and securities. 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 Group, 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:**

**Explanations on “Other fees and rommissions received” in the income statement:**

	<b>Current Period 30 September 2016</b>	<b>Prior Period 30 September 2015</b>
Credit Card Transactions	212.914	241.969
Insurance Commissions	35.590	56.084
Banking Transactions	28.867	48.763
Tefas Fund Platform	17.434	20.024
Other	42.639	64.659
<b>Total</b>	<b>337.444</b>	<b>431.499</b>

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- V. **EXPLANATIONS AND NOTES RELATED TO THE CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**
- a. **Information on the current year adjustments made in accordance with the requirements of the accounting Standard on Financial Instruments:**
1. **Increases after the revaluation of available-for-sale investments:**
- Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
2. **Information on increases in cash flow hedges:**
- Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- b. **Information on adjustments made for the application of Standard on Accounting for Financial Instruments in the current year:**
1. **Information on available-for-sale investments:**
- Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
2. **Information on cash flow hedges:**
- Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- c. **Explanations on dividend distribution:**
- None.
- d. **Explanations 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 THE STATEMENT OF CASH FLOW**
- a. **Explanations about other cash flows 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 flows 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 GROUP’S RISK GROUP**

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

**Current Period – 30 September 2016:**

Risk Group of the Group	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	-	-	20.399	738.493	-	-
Closing Balance	-	-	38.726	739.414	-	-
Interest and Commissions Income	-	-	1.809	1.946	-	-

**Prior Period – 31 December 2015:**

Risk Group of the Group	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	-	-	3.964	587.484	-	7
Closing Balance	-	-	20.399	738.493	-	-
Interest and Commissions Income(*)	-	-	579	21	-	-

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

**2. Deposits held by the Group’s risk group:**

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
<b>Deposit</b>						
Opening Balance	751	1.251	49.079	37.517	9.252	19.377
Closing Balance	651	751	45.787	49.079	16.743	9.252
Interest expense on deposits(*)	-	-	-	-	404	512

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

**3. Information on forward transactions, option agreements and similar transactions between the Group’s risk group:**

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
<b>The Fair Value Differences Through Profit and Loss</b>						
Opening Balance	-	-	61.011.511	82.048.760	-	-
Closing Balance	-	-	58.988.439	61.011.511	-	-
Total Profit/Loss(*)	-	-	238.825	544.270	-	-
<b>Transactions for Hedging Purposes</b>						
Opening Balance	-	-	1.003.370	2.474.505	-	-
Closing Balance	-	-	1.017.913	1.003.370	-	-
Total Profit/Loss(*)	-	-	182	318	-	-

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

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

As of 30 September 2016, payment is made to top executives of the Group amounting to TL 22.433 (30 September 2015: TL 17.496).

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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016**

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

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**VIII. INFORMATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE PARENT BANK**

**Information on domestic and foreign branches and foreign representatives of the Parent 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**

Branch closures and mergers have happened after the balance sheet date within the scope of restructuring and long term strategic plan which details are presented in Section One, Note II.

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

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**SECTION SIX**

**EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT**

As of 30 September 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 24 November 2016 is presented before to the unconsolidated financial statements.

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

None.



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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

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

**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 İstanbul 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 2001.

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 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 September 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 September 2016 HSBC Bank’s paid-in capital is TRY 652.290 Thousand and its capital structure is as follows:

<b>Shareholder’s Name and Surname/Title</b>	<b>Number of shares</b>	<b>Share amount (TRY)</b>
Publicly offered	-	-
Non-publicly offered	65.229.000.000	652.290.000
HSBC Bank Plc.	65.228.999.600	652.289.996
Midcorp Limited	100	1
HSBC International Financial Services (UK) Ltd	100	1
Griffin International Limited	100	1
EMITT Limited	100	1
<b>Total</b>	<b>65.229.000.000</b>	<b>652.290.000</b>

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

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**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 (Continued)**

**3. Information on Branches and Personnel**

As of 30 September 2016, the Parent 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 September 2016, the number of employees of the Bank is 4.019 (31 December 2015: 5.049)

**4. Amendments Made to the Articles of Association During the Period**

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

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

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

<b>Name and Surname</b>	<b>Title</b>
Brian Robertson	Chairman
Hamit Aydoğan	Chairman Deputy
Süleyman Selim Kervancı (*)	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
James Alasdair Emmett	Member
Süleyman Selim Kervancı	Chairman of HSBC Yatırım Menkul Değerler A.Ş.
Ali Batu Karaali	Chairman Deputy of HSBC Yatırım Menkul Değerler A.Ş.
Tolga Koyuncu	CEO and Member of HSBC Yatırım Menkul Değerler A.Ş.
Ali Dündar Parlar	Member of HSBC Yatırım Menkul Değerler A.Ş.
Necdet Murat Şarsel	Member of HSBC Yatırım Menkul Değerler A.Ş.
Michael John Duff	Member of HSBC Yatırım Menkul Değerler A.Ş.
Sanjeeb Kumar Patra	Member of HSBC Yatırım Menkul Değerler A.Ş.
Hulusi Horozoğlu	Member of HSBC Yatırım Menkul Değerler A.Ş.
Rüçhan Çandar	Member of HSBC Yatırım Menkul Değerler A.Ş.
Sema Çetinkaya (**)	Member of HSBC Yatırım Menkul Değerler A.Ş.
Ahmet Vergili (***)	Member of HSBC Yatırım Menkul Değerler A.Ş.
Taylan Turan	Chairman of HSBC Portföy Yönetimi A.Ş.
Namık Aksel	CEO and Member of HSBC Portföy Yönetimi A.Ş.
Burçin Ozan	Member of HSBC Portföy Yönetimi A.Ş.
Uğur Uğurel	Member of HSBC Portföy Yönetimi A.Ş.

(\*) 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 of HSBC Yatırım Menkul Değerler A.Ş. no.248 dated 8 November 2016, Ayşe YENEL is appointed as Member of HSBC Yatırım A.Ş. as of 8 November 2016 to replace Sema ÇETİNKAYA following her resignation as Member of HSBC Yatırım A.Ş. on 8 November 2016.

(\*\*\*) Per the Board Decision of HSBC Yatırım Menkul Değerler A.Ş. no.244 dated 8 September 2016, Ahmet VERGİLİ is appointed as Member of HSBC Yatırım A.Ş. as of 8 September 2016 to replace Burçin OZAN following his resignation as Member of HSBC Yatırım A.Ş. on 8 September 2016.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

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**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 (Continued)**

**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 since 30 September 2016 are as follows:

<b>Name and Surname</b>	<b>Title</b>
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 September 2016:

<b>Name and Surname</b>	<b>Title</b>	<b>Area of Responsibility</b>
Süleyman Selim Kervancı (*)	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
Tolga Koyuncu	CEO	HSBC Yatırım Menkul Değerler A.Ş.
İbrahim Namık Aksel	CEO	HSBC Portföy Yönetimi A.Ş.

(\*) 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.

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016**

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**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 (Continued)**

**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 September 2016 is as follows:

<b>Definitions</b>	<b>Rating</b>
Baseline Credit Assessment	b2
Outlook	Stable
Long-term foreign currency deposit rating	Ba3
Long-term TRY deposit rating	Ba3
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 September 2016 were as follows:

<b>Definitions</b>	<b>Rating</b>
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

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

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**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 (Continued)**

**FINANCIAL INFORMATION AND EVALUATIONS ON THE BANK REGARDING INTERIM PERIOD**

**9. Summary of unconsolidated financial information for the period**

According to unconsolidated financial statements, for the period ending on 30 September 2016 HSBC Bank's total assets realised at 29,5 billion TRY decreasing by 6,9% compared to the end of 2015. Credits, which form nearly 58% of the assets, seem to be around 17 billion TRY gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around 18 billion TRY and formed 55% of liabilities. The balance sheet's unconsolidated items groups' period-end balances on the relevant dates and quarterly changes are shown below.

<b>ASSETS (Thousand TL)</b>	<b>30.09.2016</b>	<b>31.12.2015</b>	<b>Variance</b>
Cash balances with central bank	6.729.075	3.394.474	98,24%
Financial assets at fair value through profit or (loss) (net)	1.533.504	1.672.267	(8,30%)
Banks	310.455	515.648	(39,79%)
Money markets	2.576.699	3.879.540	(33,58%)
Available-for-sale financial assets (net)	1.479.761	654.277	126,17%
Loans and receivables	15.902.934	20.494.904	(22,41%)
Factoring receivables	386.503	584.068	(33,83%)
Subsidiaries (net)	270	270	0,00%
Hedging derivative financial assets	19.475	20.666	(5,76%)
Property and equipment (net)	65.656	87.566	(25,02%)
Intangible assets (net)	25.928	34.530	(24,91%)
Tax asset	1.167	24.557	(95,25%)
Assets held for resale and related to discontinued operations (net)	2.764	3.444	(19,74%)
Other assets	458.688	306.635	49,59%
<b>Total Assets</b>	<b>29.492.879</b>	<b>31.672.846</b>	<b>(6,88%)</b>

<b>LIABILITIES (Thousand TL)</b>	<b>30.09.2016</b>	<b>31.12.2015</b>	<b>Variance</b>
Deposits	18.441.927	19.016.775	(3,02%)
Trading derivative financial liabilities	395.622	357.168	10,77%
Funds borrowed	4.318.352	5.351.593	(19,31%)
Money markets	674.715	790.709	(14,67%)
Miscellaneous payables	344.635	655.634	(47,43%)
Other liabilities	377.327	475.821	(20,70%)
Hedging derivative financial liabilities	34.109	10.800	215,82%
Provisions	623.456	591.890	5,33%
Tax liability	44.847	54.416	(17,58%)
Subordinated loans	1.695.661	1.651.009	2,70%
Shareholders' equity	2.542.228	2.717.031	(6,43%)
<b>Total Liabilities</b>	<b>29.492.879</b>	<b>31.672.846</b>	<b>(6,88%)</b>

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

<b>STATEMENT OF INCOME (Thousand TL)</b>	<b>30.09.2016</b>	<b>30.09.2015</b>	<b>Variance</b>
Net interest income	737.034	885.738	(16,79%)
Other operating income	608.415	578.107	5,24%
<b>Total operating income/(expense)</b>	<b>1.345.449</b>	<b>1.463.845</b>	<b>(8,10%)</b>
Other operating expenses (-)	965.328	1.089.104	(11,40%)
Provision for loan losses and other receivables (-)	537.432	543.705	(1,20%)
Net operating income/(loss)	(157.311)	(168.964)	(6,90%)
Tax provision (-)	(9.592)	(56.716)	(83,10%)
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(166.903)</b>	<b>(225.680)</b>	<b>(26,00%)</b>

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

**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016**

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**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 (Continued)**

**Message from Brian Robertson, Chairman**

As we near the end of 2016, global growth remains subdued, despite concerted efforts among central banks to stimulate economic activity. As confidence in central banks' ability to deliver more monetary stimulus declines, fiscal policy is playing a more important role. Yet, many economists argue that government spending – especially in OECD countries – is still not sufficient or targeted enough to support growth over the long-term.

Given these challenges, the HSBC forecast for 2016 global growth has edged down to 2.1% (compared with an actual average performance of 2.4% from 2011 to 2015), with developed countries and emerging markets expected to grow at a collective pace of 1.5% and 3.8%, respectively. Our forecast for 2017 world GDP growth (2.3%) remains unchanged.

Global headwinds, coupled with regional political developments, have affected Turkey, which has seen a decline in exports, tourism and foreign direct investment inflows over the first nine months of 2016. Nevertheless, the economy has remained relatively resilient, with HSBC projecting that Turkey's GDP will grow by 2.9% over full year 2016. Looking ahead, HSBC forecasts a growth rate of 2.3% for Turkey in 2017, with a recovery in exports but an increase in the current account deficit (to 5.1% of GDP, up from around 4% currently).

Over the longer term, further economic progress in Turkey will depend on the structural reforms being addressed by the 2017-2019 Medium Term Economic Programme. These include efforts to promote savings, open labour markets, promote human capital development, enhance technological capacity and strengthen institutions.

As Turkey continues to develop, HSBC Turkey will remain well positioned to support the country's businesses, whether they seek expansion capital, access to international trade markets, payments cash management solutions, derivatives products or M&A/IPO advisory services. We will also continue to serve our premium retail clients through our Retail Banking and Wealth Management business, helping them to achieve their personal financial and wealth management goals.

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

Brian Robertson  
Chairman

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

## HSBC BANK A.Ş. AND ITS SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2016

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#### 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 (Continued)

##### Message from Süleyman Selim Kervancı , CEO

Economic activity in Turkey has been relatively resilient in a difficult global and regional environment, but recent indicators point to a deceleration. Although GDP growth was 5.7% in the fourth quarter of last year (above most forecasts), this was followed by declining growth rates of 4.8% and 3.1% in the first and second quarters of 2016.

A key challenge is that the composition of growth - led by household and public spending – has been unbalanced. Fixed private sector investment has been low since 2011, while foreign direct investment, exports and tourism revenue have all recently weakened. In addition, the latest readings of the business confidence index, the purchasing managers' index, and industrial output all suggest that production growth is likely to fall over the rest of the year.

On the positive side of the ledger, consumer confidence has held relatively steady over the course of 2016, while annual consumer inflation, which fell to 7.28% in September, remains in line with the central bank's year-end target. It should also be noted that the current account deficit (at around 4% of GDP in the second quarter), is at its lowest level in five years.

Moreover, the banking industry is posting improved results. Over 1H16, total profit after tax (PAT) in the sector was TRY 19bn, up 40% y-o-y. This trend continued into August, with YTD AUG16 PAT up 63% y-o-y. Sector return on equity, at around 14%, is now at a two-year high.

Although banking sector profits have been enhanced by certain sector-wide one-offs, there have also been underlying improvements, including rising net interest margins, stronger fee income generation and better cost management. Equally important, the banking industry in Turkey remains liquid and well-capitalised.

Turning to HSBC Turkey, over the first nine months of 2016 the Bank made significant progress in executing its wholesale and premium retail banking strategy. Key initiatives have included major investments in IT infrastructure, measures to further align our business with the HSBC global network, and strategic actions to re-focus our branch footprint.

HBTR has closed several landmark transactions thus far in 2016, including in debt finance (e.g., Eurobonds, Sukuks, Green Bonds, Syndications) through close collaboration between our Global Banking, Global Markets, Commercial Banking, Global Trade and Receivables Finance and Global Liquidity Cash Management teams. Meanwhile, driven by strong client relationship management in Retail Banking and Wealth Management, HSBC Turkey has continued to grow and develop its wealth management proposition.

As of YTD September 2016, the restructuring programme led to a planned reduction in the HSBC Turkey balance sheet, with the loan portfolio falling 21.4% over YE15, to TRY 16bn, and deposits decreasing 3% over YE15, to TRY 18bn. The HSBC Turkey NPL ratio was 7.8% and the capital adequacy ratio was 17.38%, above the Banking Regulation and Supervision Agency target minimum ratio of 12%.

As of YTD September 2016, operating income fell 8.1% from 3Q15, to TRY 1,345m, and total operating expenses fell 11.36% from 3Q15, to TRY 965m. Driven by restructuring costs, HSBC Turkey recorded a loss before tax of TRY (157)m as of YTD 3Q16. Our cost/income ratio was 72%.

I would like to thank my management team and all of our colleagues for their commitment, as well as our clients for giving us their confidence and trust.

Selim Kervancı  
Chief Executive Officer

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**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 (Continued)**

**Additional Information on Period Between 01.01.2016-30.09.2016**

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, the Bank took several important steps in 2016 to enhance its wholesale and premium positioning, and strategic actions to re-focus the branch network.

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