

HSBC BANK A.Ş.

PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT AT 30 JUNE 2019

(Convenience translation of publicly announced consolidated financial statements and independent auditor's limited review report at 30 June 2019, See Note I. of Section Three)

AUDITOR'S REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL INFORMATION

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

To the General Assembly of HSBC Bank A.Ş.;

Introduction

We have reviewed the consolidated balance sheet of HSBC Bank A.Ş. ("the Bank") and its subsidiaries (collectively referred to as the "Group") at 30 June 2019 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, 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 six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial 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 the aforementioned regulations. 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 information do not present fairly in all material respects the financial position of HSBC Bank A.Ş. and its consolidated subsidiaries at 30 June 2019 and the results of its operations and its cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Financial 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 reviewed financial statements and disclosures in all material respects.


Other Matter

The consolidated financial statements of the Bank as of 31 December 2018 were audited and consolidated financial statements for the six-month period ended 30 June 2018 of the Bank were reviewed by another independent audit firm and this audit firm expressed an unqualified opinion and conclusion in their audit report dated 28 February 2019 and review report dated 16 August 2018 respectively.

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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited


Damla Harman
Partner, SMMM

August 20, 2019
İstanbul, Turkey



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.Ş. AND ITS FINANCIAL
AFFILIATES AS OF AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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 : hsbchaberlesmemerkezi@hsbc.com.tr

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

- GENERAL INFORMATION ABOUT 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
- INDEPENDENT AUDITOR'S 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 six month period and related explanations and footnotes in this report are prepared in accordance with the Regulation on Banks' Accounting Applications and Principles and Procedures Concerning the Preservation of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and annexes interpretations thereof and are denominated as **TL thousand** unless otherwise specified, are held to subject to limited independent review and are presented enclosed.

Hamit Aydoğan
Vice President of the
Executive Board

Süleyman Selim Kervancı
General
Manager

Burçin Ozan
Financial Reporting
Assistant General
Manager

Yerihozan Kızı
Group Head

Robert Adrian Underwood
Head of
Audit Committee

Neslihan Erkazancı
Member of
Audit Committee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Burcu Eker/Manager
Tel : (0212) 376 4157
Fax : (0212) 376 4912

HSBC Bank A.Ş.

Sicil Numarası: İstanbul Ticaret Sicil Müdürlüğü - 268376

Ticaret Ünvanı: HSBC Bank A.Ş.

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

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

Web Adresi: www.hsbc.com.tr

İrtibat Bilgileri Tel: 0212 376 40 00 Fax: 0212 336 29 39 / 336 26 38 / 336 21 41 / 336 22 60

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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 JUNE 2019**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

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 Parent Bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224. 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 Parent Bank’s main shareholder HSBC Bank Plc. According to this agreement, the required procedures shall be completed by 31 October 2001 and all shares of the Demirbank T.A.Ş., together with a part of the assets and liabilities shall be transferred to HSBC Bank Plc on 31 October 2001. In 14 December 2001, Demirbank T.A.Ş. and the Parent Bank merged under the name of HSBC Bank Anonim Şirketi and continued its activities. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.’s 100% ownership of the Bank’s capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

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

As of 30 June 2019, the Parent Bank’s nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.’s 100% ownership of the Parent Bank’s capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017. As of 30 June 2019 there has been no changes regarding the Parent Bank’s capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019**
(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 PARENT BANK THEY POSSESS AND THEIR AREAS OF RESPONSIBILITIES

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board:	David Gordon ELDON	Chairman	Undergraduate
Vice President of the Executive Board:	Hamit AYDOĞAN	Deputy Chairman	Undergraduate
Board of Directors:	Süleyman Selim KERVANCI	Member, CEO	Graduate
	Robert Adrian UNDERWOOD	Member	Undergraduate
	Mehmet Gani SÖNMEZ	Member	Undergraduate
	Edward Michael FLANDERS	Member	Undergraduate
	Neslihan ERKAZANCI	Member	Undergraduate
	Georges EL HEDERY	Member	Graduate
CEO:	Süleyman Selim KERVANCI	CEO	Graduate
Head of Internal Audit:	Umut PAŞIN	Head of Internal Audit	Undergraduate
Deputy CEO:	Rüçhan ÇANDAR	Technology and Services	Graduate
Executive Vice Presidents:	Anthony WRIGHT	Credit and Risk	Graduate
	Yiğit ARSLANCIK	Corporate and Investment Banking	Graduate
	Ayşe YENEL	Retail Banking	Undergraduate
	Burçin OZAN	Finance	Undergraduate
	Rüçhan ÇANDAR	Technology and Services	Graduate
	Funda TEMOÇİN AYDOĞAN	Human Resources	Undergraduate
	İbrahim Namık AKSEL	Treasury and Capital Markets	Graduate
Audit Committee:	Robert Adrian UNDERWOOD	Head of the Audit Committee	Graduate
	Neslihan ERKAZANCI	Member of the Audit Committee	Undergraduate

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

Name/Commercial Title	Share Amounts (Nominal) (*)	Share Percentages	Paid-in capital (Nominal) (*)	Unpaid Portion
HSBC Middle East Holdings B.V.	586.995.771	89,99%	586.995.771	-
HSBC Bank Middle East Limited	65.294.226	10,01%	65.294.226	-

(*) The amounts are expressed in “full TL.”

V. SUMMARY INFORMATION ON THE PARENT BANK’S ACTIVITIES AND SERVICES

The Parent Bank’s activities in accordance with related regulations and 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 perform discount and purchase activities,
- To perform order transmissions brokerage, transactions brokerage, portfolios brokerage, restricted custody and general custody activities in accordance with Capital Markets regulations,
- To perform factoring activities,
- To perform payment services.

In addition to regular banking operations in accordance to the articles of association, the Parent Bank also provides insurance intermediary services as an agency of Axa Sigorta, Zurich Sigorta, Allianz Hayat ve Emeklilik, Allianz Sigorta, Gulf Sigorta, Euler Hermes and Anadolu Hayat Emeklilik, and JLT Sigorta ve Brokerlık through its branches and investment intermediary services, also undertaking the role of steering customers for portfolio sharing as an agent for transmitting orders of HSBC Yatırım.

As of 30 June 2019, the Parent Bank has 80 branches dispersed throughout the country (31 December 2018: 82 branches).

As of 30 June 2019, the number of employees of the Group is 2.136 (31 December 2018: 2.258).

VI. OTHER MATTERS

Unless otherwise stated, the consolidated financial statements and explanations and notes regarding the consolidated 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.

The consolidated financial statements 8 November 2006 and 26340 in the Official Gazette published the “Bank Communiqué on Preparation of Consolidated Financial Statements” and “Consolidated Turkey to the Financial Statements Financial Reporting Standards” (“IFRS 10”) was prepared in accordance with the provisions.

**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 JUNE 2019**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

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

**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 JUNE 2019**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet**
- II. Consolidated Statement of Off - Balance Sheet**
- III. Consolidated Statement of Profit or Loss**
- IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income**
- V. Consolidated Statement of Changes in Shareholders’ Equity**
- VI. Consolidated Statement of Cash Flows**

**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 JUNE 2019
(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)	Reviewed Current Period (30.06.2019)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (NET)		8.344.653	7.462.901	15.807.554
1.1 Cash and Cash Equivalents		7.024.314	6.002.251	13.026.565
1.1.1 Cash and Balances with Central Bank	(I-a)	134.479	3.643.732	3.778.211
1.1.2 Banks	(I-c)	17.164	347.929	365.093
1.1.3 Money Market Placements		6.873.534	2.010.590	8.884.124
1.1.4 Expected Loss Provision (-)		863	-	863
1.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	281.042	76.684	357.726
1.2.1 Government Debt Securities		275.475	54.762	330.237
1.2.2 Equity Instruments		5.567	21.922	27.489
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-d)	624.850	-	624.850
1.3.1 Government Debt Securities		624.850	-	624.850
1.3.2 Equity Instruments		-	-	-
1.3.3 Other Financial Assets		-	-	-
1.4 Derivative Financial Assets	(I-b)	414.447	1.383.966	1.798.413
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		414.447	1.383.966	1.798.413
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)	(I-e)	8.760.453	7.064.879	15.825.332
2.1 Loans		10.282.494	7.064.879	17.347.373
2.2 Lease Receivables	(I-j)	-	-	-
2.3 Factoring Receivables		113.896	-	113.896
2.4 Other Financial Assets Measured at Amortized Cost	(I-f)	-	-	-
2.4.1 Government Debt Securities		-	-	-
2.4.2 Other Financial Assets		-	-	-
2.5 Expected Credit Losses (-)		1.635.937	-	1.635.937
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(I-p)	1.703	-	1.703
3.1 Held for Sale Purpose		1.703	-	1.703
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		220	-	220
4.1 Investments in Associates (Net)	(I-g)	-	-	-
4.1.1 Accounted Under Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Subsidiaries (Net)	(I-h)	220	-	220
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		220	-	220
4.3 Entities under Common Control (Joint Venture) (Net)	(I-i)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. TANGIBLE ASSETS (Net)	(I-l)	246.728	-	246.728
VI. INTANGIBLE ASSETS (Net)	(I-m)	149.552	-	149.552
6.1 Goodwill		-	-	-
6.2 Other		149.552	-	149.552
VII. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-
VIII. CURRENT TAX ASSET		-	-	-
IX. DEFERRED TAX ASSET	(I-o)	232.374	-	232.374
X. OTHER ASSETS	(I-r)	140.357	633.600	773.957
TOTAL ASSETS		17.876.040	15.161.380	33.037.420

Note: The necessary reclassifications have been made in the prior year's consolidated financial statements in order to be comparable with the current period consolidated financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period consolidated financial statements and related disclosures are not presented comparatively with the current period consolidated financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period consolidated financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 19 to 106 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 31 DECEMBER 2018
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five I)	Audited Prior Period (31.12.2018)		
		TL	FC	Total
ASSETS				
I. FINANCIAL ASSETS (NET)		3.305.188	12.790.209	16.095.397
1.1 Cash and Cash Equivalents		2.741.578	11.794.327	14.535.905
1.1.1 Cash and Balances with Central Bank	(I-a)	2.340.898	3.724.557	6.065.455
1.1.2 Banks	(I-c)	30.422	24.541	54.963
1.1.3 Money Markets		370.258	8.045.229	8.415.487
1.2 Financial Assets at Fair Value Through Profit or Loss	(I-b)	22.298	24.938	47.236
1.2.1 Government Debt Securities		16.731	10.282	27.013
1.2.2 Equity Instruments		5.567	14.656	20.223
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-d)	511.129	-	511.129
1.3.1 Government Debt Securities		511.129	-	511.129
1.3.2 Equity Instruments		-	-	-
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortized Cost	(I-f)	-	-	-
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(I-b)	30.183	970.944	1.001.127
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		30.183	970.944	1.001.127
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-
II. LOANS (Net)	(I-e)	9.863.914	5.834.658	15.698.572
2.1 Loans		9.619.889	5.695.262	15.315.151
2.1.1 Loans Measured at Amortized Cost		9.619.889	5.695.262	15.315.151
2.1.2 Loans at Fair Value Through Profit or Loss		-	-	-
2.1.3 Loans at Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(I-j)	-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		52.886	139.396	192.282
2.3.1 Measured at Amortized Cost		52.886	139.396	192.282
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans		881.914	-	881.914
2.5 Specific Provisions (-)		690.775	-	690.775
III. NON-CURRENT ASSETS OR DISPOSAL GROUPS “HELD FOR SALE” AND “HELD FROM DISCONTINUED OPERATIONS” (Net)	(I-p)	1.369	-	1.369
3.1 Held for Sale Purpose		1.369	-	1.369
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		220	-	220
4.1 Investments in Associates (Net)	(I-g)	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Investment in Subsidiaries (Net)	(I-h)	220	-	220
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		220	-	220
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	(I-i)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(I-l)	101.877	-	101.877
VI. INTANGIBLE ASSETS (Net)	(I-m)	150.954	-	150.954
6.1 Goodwill		-	-	-
6.2 Other		150.954	-	150.954
VII. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-
VIII. CURRENT TAX ASSET		10.103	-	10.103
IX. DEFERRED TAX ASSET	(I-o)	139.325	-	139.325
X. OTHER ASSETS	(I-r)	139.046	511.875	650.921
TOTAL ASSETS		13.711.996	19.136.742	32.848.738

Note: The prior period consolidated financial statements and related disclosures are not presented comparatively with the current period consolidated financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period consolidated financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 19 to 106 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 JUNE 2019
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Reviewed Current Period (30.06.2019)		
		TL	FC	Total
LIABILITIES				
I. DEPOSITS	(II-a)	7.415.389	17.554.645	24.970.034
II. FUNDS BORROWED	(II-d)	674.247	28.629	702.876
III. MONEY MARKET BALANCES	(II-c)	400.756	-	400.756
IV. MARKETABLE SECURITIES ISSUED (Net)				
4.1 Bills		-	-	-
4.2 Assets Backed Securities		-	-	-
4.3 Bonds		-	-	-
V. BORROWER FUNDS				
5.1 Borrower Funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS				
VII. DERIVATIVE FINANCIAL LIABILITIES	(II-b)	445.379	1.294.465	1.739.844
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		445.379	1.294.465	1.739.844
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-
VIII. FACTORING LIABILITIES				
IX. LEASE LIABILITIES	(II-f)	116.899	22.594	139.493
X. PROVISIONS	(II-h)	183.260	2.046	185.306
10.1 Restructuring Provisions		38.263	-	38.263
10.2 Reverse for Employee Benefits		55.421	-	55.421
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		89.576	2.046	91.622
XI. CURRENT TAX LIABILITY	(II-i)	83.479	-	83.479
XII. DEFERRED TAX LIABILITY	(II-i)	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(II-j)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(II-k)	-	1.220.671	1.220.671
14.1 Loans		-	1.220.671	1.220.671
14.2 Other Debt Instruments		-	-	-
XV. OTHER LIABILITIES	(II-e)	489.314	204.099	693.413
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.901.548	-	2.901.548
16.1 Paid-in capital		652.290	-	652.290
16.2 Capital Reserves		272.693	-	272.693
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		272.693	-	272.693
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(17.261)	-	(17.261)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(36.262)	-	(36.262)
16.5 Profit Reserves		1.736.591	-	1.736.591
16.5.1 Legal Reserves		198.999	-	198.999
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		1.537.592	-	1.537.592
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit Or Loss		293.497	-	293.497
16.6.1 Prior Years' Profit/Loss		-	-	-
16.6.2 Current Year Profit/Loss		293.497	-	293.497
16.7 Minority Interest		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12.710.271	20.327.149	33.037.420

Note: The necessary reclassifications have been made in the prior year's consolidated financial statements in order to be comparable with the current period consolidated financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period consolidated financial statements and related disclosures are not presented comparatively with the current period consolidated financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period consolidated financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 19 to 106 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 31 DECEMBER 2018
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Audited Prior Period (31.12.2018)		
		TL	FC	Total
		LIABILITIES		
I. DEPOSITS	(II-a)	7.509.066	17.349.423	24.858.489
II. FUNDS BORROWED	(II-d)	1.200.041	37.960	1.238.001
III. MONEY MARKETS	(II-c)	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-
4.1 Bills		-	-	-
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
V. FUNDS		-	-	-
5.1 Borrower Funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(II-b)	25.921	915.173	941.094
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		25.921	915.173	941.094
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-g)	-	-	-
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES	(II-f)	-	-	-
9.1 Financial Lease Payables		-	-	-
9.2 Operational Lease Payables		-	-	-
9.3 Other		-	-	-
9.4 Deferred Finance Lease Expenses (-)		-	-	-
X. PROVISIONS	(II-h)	411.041	191.627	602.668
10.1 General Loan Loss Provisions		214.376	190.384	404.760
10.2 Provision for Restructuring		49.459	-	49.459
10.3 Reserves for Employee Benefits		65.581	-	65.581
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		81.625	1.243	82.868
XI. CURRENT TAX LIABILITY	(II-i)	57.768	-	57.768
XII. DEFERRED TAX LIABILITY	(II-i)	-	-	-
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS “HELD FOR SALE” AND “HELD FROM DISCONTINUED OPERATIONS”(Net)	(II-j)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT	(II-k)	-	1.545.585	1.545.585
14.1 Loans		-	1.545.585	1.545.585
14.2 Other Debt Instruments		-	-	-
XV. OTHER LIABILITIES	(II-e)	590.346	27.930	618.276
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.986.857	-	2.986.857
16.1 Paid-in Capital		652.290	-	652.290
16.2 Capital Reserves		272.693	-	272.693
16.2.1 Equity Share Premiums		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		272.693	-	272.693
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(28.652)	-	(28.652)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(43.708)	-	(43.708)
16.5 Profit Reserves		1.787.586	-	1.787.586
16.5.1 Legal Reserves		196.518	-	196.518
16.5.2 Statutory Reserves		-	-	-
16.5.3 Extraordinary Reserves		1.591.068	-	1.591.068
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or (Loss)		346.648	-	346.648
16.6.1 Prior Periods' Profit/(Loss)		-	-	-
16.6.2 Current Period Profit/(Loss)		346.648	-	346.648
16.7 Minority Interest		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12.781.040	20.067.698	32.848.738

Note: The prior period consolidated financial statements and related disclosures are not presented comparatively with the current period consolidated financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period consolidated financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 19 to 106 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 JUNE 2019**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed Current Period (30.06.2019)		
		TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		39.161.937	100.279.334	139.441.271
I. GUARANTEES AND COLLATERALS	(III-a-2,3)	1.043.046	3.231.172	4.274.218
I.1 Letters of Guarantee		1.013.078	1.541.989	2.555.067
I.1.1 Guarantees Subject to State Tender Law		-	-	-
I.1.2 Guarantees Given for Foreign Trade Operations		-	-	-
I.1.3 Other Letters of Guarantee		1.013.078	1.541.989	2.555.067
I.2 Bank Acceptances		-	-	-
I.2.1 Import Letter of Acceptance		-	311.501	311.501
I.2.2 Other Bank Acceptance		-	-	-
I.3 Letters of Credit		29.968	995.123	1.025.091
I.3.1 Documentary Letters of Credit		29.968	564.967	594.935
I.3.2 Other Letters of Credit		-	430.156	430.156
I.4 Prefinancing Given as Guarantee		-	-	-
I.5 Endorsements		-	-	-
I.5.1 Endorsements to the Central Bank of Turkey		-	-	-
I.5.2 Other Endorsements		-	-	-
I.6 Securities Issue Purchase Guarantees		-	-	-
I.7 Factoring Guarantees		-	-	-
I.8 Other Guarantees		-	382.559	382.559
I.9 Other Collaterals		-	-	-
II. COMMITMENTS	(III-a-1)	6.762.129	10.630.936	17.393.065
II.1 Irrevocable Commitments		6.762.129	10.630.936	17.393.065
II.1.1 Forward Asset Purchase and Sale Commitments		2.184.146	10.630.413	12.814.559
II.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-
II.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-
II.1.4 Loan Granting Commitments		781.517	-	781.517
II.1.5 Securities Underwriting Commitments		-	-	-
II.1.6 Commitments for Reserve Deposit Requirements		-	-	-
II.1.7 Payment Commitment for Checks		22.953	-	22.953
II.1.8 Tax and Fund Liabilities from Export Commitments		2.286	-	2.286
II.1.9 Commitments for Credit Card Expenditure Limits		3.219.311	-	3.219.311
II.1.10 Commitments for Promotions Related with Credit Cards and Banking Activities		13.243	-	13.243
II.1.11 Receivables from Short Sale Commitments		-	-	-
II.1.12 Payables for Short Sale Commitments		-	-	-
II.1.13 Other Irrevocable Commitments		538.673	523	539.196
II.2 Revocable Commitments		-	-	-
II.2.1 Revocable Loan Granting Commitments		-	-	-
II.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	31.356.762	86.417.226	117.773.988
III.1 Derivative Financial Instruments for Hedging Purposes		-	-	-
III.1.1 Fair Value Hedge		-	-	-
III.1.2 Cash Flow Hedge		-	-	-
III.1.3 Hedge of Net Investment in Foreign Operations		-	-	-
III.2 Held for Trading Transactions		31.356.762	86.417.226	117.773.988
III.2.1 Forward Foreign Currency Buy/Sell Transactions		4.711.747	6.327.143	11.038.890
III.2.1.1 Forward Foreign Currency Transactions-Buy		3.379.113	2.250.340	5.629.453
III.2.1.2 Forward Foreign Currency Transactions-Sell		1.332.634	4.076.803	5.409.437
III.2.2 Swap Transactions Related to Foreign Currency and Interest Rate		14.091.917	67.960.300	82.052.217
III.2.2.1 Foreign Currency Swap-Buy		3.255.276	25.398.279	28.653.555
III.2.2.2 Foreign Currency Swap-Sell		10.836.641	18.029.265	28.865.906
III.2.2.3 Interest Rate Swap-Buy		-	12.266.378	12.266.378
III.2.2.4 Interest Rate Swap-Sell		-	12.266.378	12.266.378
III.2.3 Foreign Currency, Interest Rate, and Securities Options		12.553.096	12.122.232	24.675.328
III.2.3.1 Foreign Currency Options-Buy		6.276.548	6.061.116	12.337.664
III.2.3.2 Foreign Currency Options-Sell		6.276.548	6.061.116	12.337.664
III.2.3.3 Interest Rate Options-Buy		-	-	-
III.2.3.4 Interest Rate Options-Sell		-	-	-
III.2.3.5 Securities Options-Buy		-	-	-
III.2.3.6 Securities Options-Sell		-	-	-
III.2.4 Foreign Currency Futures		-	-	-
III.2.4.1 Foreign Currency Futures-Buy		-	-	-
III.2.4.2 Foreign Currency Futures-Sell		-	-	-
III.2.5 Interest Rate Futures		-	-	-
III.2.5.1 Interest Rate Futures-Buy		-	-	-
III.2.5.2 Interest Rate Futures-Sell		-	-	-
III.2.6 Other		2	7.551	7.553
IV. CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		245.038.087	29.286.906	274.324.993
IV. ITEMS HELD IN CUSTODY		235.856.431	4.904.793	240.761.224
IV.1 Customers' Securities Held		136.960	-	136.960
IV.2 Investment Securities Held in Custody		234.110.963	1.876.798	235.987.761
IV.3 Checks Received for Collection		48.532	69.067	117.599
IV.4 Commercial Notes Received for Collection		205.177	52.247	257.424
IV.5 Other Assets Received for Collection		-	-	-
IV.6 Assets Received for Public Offering		-	-	-
IV.7 Other Items Under Custody		1.354.799	2.906.681	4.261.480
IV.8 Custodians		-	-	-
V. PLEDGES ITEMS		8.000.977	15.832.356	23.833.333
V.1 Marketable Securities		51.931	836.317	888.248
V.2 Guarantee Notes		192.799	330.259	523.058
V.3 Commodity		480.697	715.386	1.196.083
V.4 Warranty		-	-	-
V.5 Real Estate		3.992.789	6.450.187	10.442.976
V.6 Other Pledged Items		3.282.761	7.500.207	10.782.968
V.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED BILL OF EXCHANGE AND COLLATERALS		1.180.679	8.549.757	9.730.436
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		284.200.024	129.566.240	413.766.264

Note: The prior period consolidated financial statements and related disclosures are not presented comparatively with the current period consolidated financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period consolidated financial statements are presented with their prior reported versions.

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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 31 DECEMBER 2018**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Audited Prior Period (31.12.2018)		
		TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		23.566.213	69.331.661	92.897.874
I. GUARANTEES AND WARRANTIES	(III-a-2,3)	1.012.441	2.645.721	3.658.162
1.1 Letters of Guarantee		1.004.441	839.193	1.843.634
1.1.1 Guarantees Subject to State Tender Law		-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-
1.1.3 Other Letters of Guarantee		1.004.441	839.193	1.843.634
1.2 Bank Acceptances		-	-	-
1.2.1 Import Letter of Acceptance		-	203.137	203.137
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		8.000	1.248.433	1.256.433
1.3.1 Documentary Letters of Credit		8.000	1.084.585	1.092.585
1.3.2 Other Letters of Credit		-	163.848	163.848
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-
1.7 Factoring Guarantees		-	-	-
1.8 Other Guarantees		-	354.958	354.958
1.9 Other Collaterals		-	-	-
II. COMMITMENTS	(III-a-1)	5.503.976	2.060.592	7.564.568
2.1 Irrevocable Commitments		5.503.976	2.060.592	7.564.568
2.1.1 Asset Purchase and Sale Commitments		1.095.069	1.563.472	2.658.541
2.1.2 Forward Deposit Purchase and Sales Commitments		-	496.641	496.641
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4 Loan Granting Commitments		408.147	-	408.147
2.1.5 Securities Issue Brokerage Commitments		-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-
2.1.7 Commitments for Cheque Payments		21.519	-	21.519
2.1.8 Tax and Fund Liabilities from Export Commitments		2.286	-	2.286
2.1.9 Commitments for Credit Card Limits		3.398.789	-	3.398.789
2.1.10 Commitments for Credit Cards and Banking Services Promotions		12.995	-	12.995
2.1.11 Receivables From Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13 Other Irrevocable Commitments		565.171	479	565.650
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	17.049.796	64.625.348	81.675.144
3.1 Hedging Derivative Financial Instruments		-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-
3.2 Trading Transactions		17.049.796	64.625.348	81.675.144
3.2.1 Forward Foreign Currency Buy/Sell Transactions		5.165.979	5.866.996	11.032.975
3.2.1.1 Forward Foreign Currency Transactions-Buy		4.273.312	1.520.565	5.793.877
3.2.1.2 Forward Foreign Currency Transactions-Sell		892.667	4.346.431	5.239.098
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		7.947.553	52.833.198	60.780.751
3.2.2.1 Foreign Currency Swap-Buy		2.129.310	15.417.132	17.546.442
3.2.2.2 Foreign Currency Swap-Sell		5.818.243	12.142.832	17.961.075
3.2.2.3 Interest Rate Swap-Buy		-	12.636.617	12.636.617
3.2.2.4 Interest Rate Swap-Sell		-	12.636.617	12.636.617
3.2.3 Foreign Currency, Interest rate and Securities Options		3.936.264	5.881.126	9.817.390
3.2.3.1 Foreign Currency Options-Buy		1.968.132	2.940.563	4.908.695
3.2.3.2 Foreign Currency Options-Sell		1.968.132	2.940.563	4.908.695
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		-	44.028	44.028
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		97.562.233	30.590.524	128.152.757
IV. ITEMS HELD IN CUSTODY		88.495.507	10.131.365	98.626.872
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		86.244.819	7.567.772	93.812.591
4.3 Checks Received for Collection		6.235	93.238	99.473
4.4 Commercial Notes Received for Collection		155.033	62.368	217.401
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		2.089.420	2.407.987	4.497.407
4.8 Custodians		-	-	-
V. PLEDGES RECEIVED		7.961.235	13.712.633	21.673.868
5.1 Marketable Securities		51.931	766.825	818.756
5.2 Guarantee Notes		93.158	317.422	410.580
5.3 Commodity		486.960	660.003	1.146.963
5.4 Warranty		-	-	-
5.5 Immovable Properties		4.292.439	4.757.428	9.049.867
5.6 Other Pledged Items		3.036.747	7.210.955	10.247.702
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		1.105.491	6.746.526	7.852.017
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		121.128.446	99.922.185	221.050.631

Note: The prior period consolidated financial statements and related disclosures are not presented comparatively with the current period consolidated financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period consolidated financial statements are presented with their prior reported versions.

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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 PROFIT OR LOSS FOR THE PERIOD
ENDED 30 JUNE 2019**

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

III. STATEMENT OF PROFIT OR LOSS			Reviewed Current Period (01.01.2019 – 30.06.2019)	Reviewed Current Period (01.04.2019 – 30.06.2019)
INCOME AND EXPENSE ITEMS				
I.	INTEREST INCOME	(IV-a)	1.766.936	961.181
1.1	Interest Income on Loans	(IV-a-1)	1.249.657	643.281
1.2	Interest Received from Reserve Requirements		28.009	12.643
1.3	Interest Received from Banks	(IV-a-2)	121.095	41.770
1.4	Interest Received from Money Market Transactions		299.195	236.121
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	62.086	24.534
1.5.1	Financial Assets at Fair Value through Profit or (Loss)		28.544	7.001
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		33.542	17.533
1.5.3	Financial Assets at Measured at Amortized Cost		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		6.894	2.832
II.	INTEREST EXPENSE (-)	(IV-b)	986.610	505.014
2.1	Interest Expense on Deposits	(IV-b-4)	815.332	424.216
2.2	Interest Expense on Funds Borrowed	(IV-b-1)	147.159	65.192
2.3	Interest Expense on Money Market Transactions		8.823	7.640
2.4	Interest on Securities Issued	(IV-b-3)	-	-
2.5	Interest Expense on Lease		11.864	5.903
2.6	Other Interest Expenses		3.432	2.063
III.	NET INTEREST INCOME/EXPENSE (I - II)		780.326	456.167
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		232.930	115.111
4.1	Fees and Commissions Received		253.467	125.411
4.1.1	Non-Cash Loans		32.002	16.869
4.1.2	Other	(IV-l)	221.465	108.542
4.2	Fees and Commissions Paid (-)		20.537	10.300
4.2.1	Non-Cash Loans		320	168
4.2.2	Other		20.217	10.132
V.	DIVIDEND INCOME	(IV-c)	6.414	69
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	(7.714)	(79.188)
6.1	Trading Gains/(Losses) on Securities		18.092	11.383
6.2	Derivative Financial Transactions Gains/(Losses)		37.630	(217.643)
6.3	Foreign Exchange Gains/(Losses)		(63.436)	127.072
VII.	OTHER OPERATING INCOME	(IV-e)	140.644	123.150
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.152.600	615.309
IX.	PROVISION FOR LOAN LOSSES (-)	(IV-f)	165.104	139.374
X.	OTHER PROVISION EXPENSES (-)		7.268	5.039
XI.	PERSONNEL EXPENSES (-)		250.969	127.859
XII.	OTHER OPERATING EXPENSES (-)	(IV-g)	352.548	186.607
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		376.711	156.430
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER			
XV.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD			
XVI.	INCOME/ (LOSS) ON NET MONETARY POSITION			
XVII.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)			
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)		376.711	156.430
18.1	Current Tax Provision	(IV-i)	(83.214)	(35.768)
18.2	Deferred Tax Income Effect (+)		(70.807)	(45.223)
18.3	Deferred Tax Expense Effect (-)		(12.407)	9.455
XIX.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVIII)			
XX.	INCOME FROM DISCONTINUED OPERATIONS	(IV-j)	293.497	120.662
20.1	Income from Non-Current Assets Held for Resale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
20.3	Other Income From Discontinued Operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)			
21.1	Expenses for Non-Current Assets Held for Resale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
21.3	Other Expenses From Discontinued Operations		-	-
XXII.	PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX±XXI)			
XXIII.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)			
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Income Effect (+)		-	-
23.3	Deferred Tax Expense Effect (-)		-	-
XXIV.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXII±XXIII)			
XXV.	NET PROFIT/LOSSES (XIX+XXIV)			
	Earnings/Loss per Share	(IV-k)	293.497	120.662
			0,004499	0,001850

Note: The necessary reclassifications have been made in the prior year's consolidated financial statements in order to be comparable with the current period consolidated financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period consolidated financial statements and related disclosures are not presented comparatively with the current period consolidated financial statements as they are not restated as permitted by TFRS 9 transition rules. The consolidated prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 19 to 106 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 OR LOSS FOR THE PERIOD
ENDED 30 JUNE 2018**

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

III. STATEMENT OF PROFIT OR LOSS			
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Reviewed Prior Period (01.01.2018 – 30.06.2018)	Reviewed Prior Period (01.04.2018 – 30.06.2018)
I. INTEREST INCOME	(IV-a)	1.357.349	678.686
1.1 Interest Income on Loans	(IV-a-1)	913.354	486.431
1.2 Interest Received from Reserve Requirements		15.337	8.593
1.3 Interest Received from Banks	(IV-a-2)	337.789	130.082
1.4 Interest Received from Money Market Transactions		36.070	28.015
1.5 Interest Received from Marketable Securities Portfolio	(IV-a-3)	52.962	24.372
1.5.1 Financial Assets at Fair Value through Profit or (Loss)		4.090	3.341
1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income		48.872	21.031
1.5.3 Financial Assets at Measured at Amortized Cost		-	-
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		1.837	1.193
II. INTEREST EXPENSE (-)	(IV-b)	507.425	268.085
2.1 Interest Expense on Deposits	(IV-b-4)	372.330	198.904
2.2 Interest Expense on Funds Borrowed	(IV-b-1)	120.653	60.809
2.3 Interest Expense on Money Market Transactions		6.755	6.753
2.4 Interest on Securities Issued	(IV-b-3)	-	-
2.5 Other Interest Expenses		7.687	1.619
III. NET INTEREST INCOME/EXPENSE (I - II)		849.924	410.601
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		207.087	99.128
4.1 Fees and Commissions Received		226.559	108.586
4.1.1 Non-Cash Loans		13.278	7.250
4.1.2 Other	(IV-l)	213.281	101.336
4.2 Fees and Commissions Paid (-)		19.472	9.458
4.2.1 Non-Cash Loans		350	172
4.2.2 Other		19.122	9.286
V. PERSONNEL EXPENSES (-)	(IV-g)	224.481	107.520
VI. DIVIDEND INCOME	(IV-c)	-	-
VII. TRADING INCOME/(LOSS) (Net)	(IV-d)	(358.034)	(140.538)
7.1 Trading Gains/(Losses) on Securities		8.696	1.021
7.2 Derivative Financial Transactions Gains/(Losses)		1.152.700	865.357
7.3 Foreign Exchange Gains/(Losses)		(1.519.430)	(1.006.916)
VIII. OTHER OPERATING INCOME	(IV-e)	169.478	(153)
IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)		643.974	261.518
X. PROVISION FOR LOAN LOSSES (-)	(IV-f)	145.310	(37.511)
XI. OTHER OPERATING EXPENSES (-)	(IV-g)	285.960	154.189
XII. NET OPERATING INCOME/(LOSS) (IX-X-XI)		212.704	144.840
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XVI. INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)		-	-
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)		212.704	144.840
17.1 Current Tax Provision	(IV-i)	(50.990)	(33.238)
17.2 Deferred Tax Income Effect (+)		(14.889)	(10.779)
17.3 Deferred Tax Expense Effect (-)		(36.101)	(22.459)
XVIII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVII±XVII)		-	-
XIX. INCOME FROM DISCONTINUED OPERATIONS	(IV-j)	161.714	111.602
19.1 Income from Non-Current Assets Held for Resale		-	-
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3 Other Income From Discontinued Operations		-	-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
20.1 Expenses for Non-Current Assets Held for Resale		-	-
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
20.3 Other Expenses From Discontinued Operations		-	-
XXI. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XIX-XX)		-	-
XXII. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
22.1 Current Tax Provision		-	-
22.2 Deferred Tax Income Effect (+)		-	-
22.3 Deferred Tax Expense Effect (-)		-	-
XXIII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV. NET PROFIT/LOSSES (XVIII+XXIII)		-	-
23.1 Group's Profit / Loss per share	(IV-k)	161.714	111.602
23.2 Minority Shares Profit / Loss (-)		161.714	111.602
Earnings/Loss per Share		-	-
		0,002479	0,001711

Note: The prior period consolidated financial statements and related disclosures are not presented comparatively with the current period consolidated financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period consolidated financial statements are presented with their prior reported versions.

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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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018**

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed Current Period (30.06.2019)
I. CURRENT PERIOD INCOME/LOSS		293.497
II. OTHER COMPREHENSIVE INCOME		18.837
2.1 Not Reclassified Through Profit or Loss		11.391
2.1.1 Property and Equipment Revaluation Increase/Decrease		-
2.1.2 Intangible Assets Revaluation Increase/Decrease		-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss		14.317
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss		-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss		(2.926)
2.2 Reclassified Through Profit or Loss		7.446
2.2.1 Foreign Currency Translation Differences		-
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income		10.553
2.2.3 Cash Flow Hedge Income/Loss		(1.404)
2.2.4 Foreign Net Investment Hedge Income/Loss		-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses		-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss		(1.703)
III. TOTAL COMPREHENSIVE INCOME (I+II)		312.334

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed Prior Period (30.06.2018)
I. CURRENT PERIOD INCOME/LOSS		161.714
II. OTHER COMPREHENSIVE INCOME		(25.669)
2.1 Not Reclassified Through Profit or Loss		10.781
2.1.1 Property and Equipment Revaluation Increase/Decrease		-
2.1.2 Intangible Assets Revaluation Increase/Decrease		-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss		13.453
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss		-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss		(2.672)
2.2 Reclassified Through Profit or Loss		(36.450)
2.2.1 Foreign Currency Translation Differences		-
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income		(45.348)
2.2.3 Cash Flow Hedge Income/Loss		(1.404)
2.2.4 Foreign Net Investment Hedge Income/Loss		-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses		-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss		10.302
III. TOTAL COMPREHENSIVE INCOME (I+II)		136.045

Note: The prior period consolidated financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 31 December 2018 and 30 June 2019 consolidated financial statements are prepared on different principles, 2018 financial statements are presented separately.

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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 CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																
Reviewed Prior Period 30 June 2018	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Minority Shares	Total Equity
					1	2	3	4	5	6						
I. Balances at the Beginning of the Period - 31 December 2017	652.290	-	-	272.693	-	(31.166)	-	-	(16.776)	4.592	1.434.920	-	290.634	2.607.187	-	2.607.187
II. Corrections According to TAS 8	-	-	-	-	-	-	-	-	(5.846)	-	-	92.032	-	86.186	-	86.186
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	(5.846)	-	-	92.032	-	86.186	-	86.186
III. Adjusted Beginning Balance (I+II)	652.290	-	-	272.693	-	(31.166)	-	-	(22.622)	4.592	1.434.920	92.032	290.634	2.693.373	-	2.693.373
IV. Total Comprehensive Income	-	-	-	-	-	10.781	-	-	(35.355)	(1.095)	-	-	161.714	136.045	-	136.045
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments Increase/Decrease by Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	352.666	(92.032)	(290.634)	(30.000)	-	(30.000)
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	(30.000)	-	-	(30.000)	-	(30.000)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	382.666	(92.032)	(290.634)	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)	652.290	-	-	272.693	-	(20.385)	-	-	(57.977)	3.497	1.787.586	-	161.714	2.799.418	-	2.799.418

1. Increase/Decrease of Accumulated Revaluation Reserve on Tangible,
2. Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans,
3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Not Be Reclassified at Profit and Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Not Be Reclassified at Profit or Loss,
4. Exchange Differences on Translation Reserve,
5. Accumulated Revaluation and/or Classification Gains / (Losses) of Financial Assets at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gains/Losses, Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Be Reclassified at Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Be Reclassified at Profit or Loss).

Note: The prior period consolidated financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 31 December 2018 and 30 June 2019 consolidated financial statements are prepared on different principles, 2018 financial statements are presented separately.

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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 CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																	
Reviewed Current Period 30 June 2019	Note Section Five	Paid-in Capital	Share Premium	Share Cancel Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit/ (Loss)	Net Profit/ (Loss)	Total Equity Except from Minority Interest	Minority Shares	Total Equity
						1	2	3	4	5	6						
I. Balances at the Beginning of the Period - 31 December 2018		652.290	-	-	272.693	-	(28.652)	-	-	(46.092)	2.384	1.787.586	-	346.648	2.986.857	-	2.986.857
II. Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	(397.643)	-	(397.643)	-	(397.643)
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	(397.643)	-	(397.643)	-	(397.643)
III. Adjusted Beginning Balance (I+II)		652.290	-	-	272.693	-	(28.652)	-	-	(46.092)	2.384	1.787.586	(397.643)	346.648	2.589.214	-	2.589.214
IV. Total Comprehensive Income (I+II)		-	-	-	-	-	11.391	-	-	8.541	(1.095)	-	-	293.497	312.334	-	312.334
V. Capital Increase by Cash	(V-a)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid-in capital inflation adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Convertible Bonds to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	(50.995)	397.643	(346.648)	-	-	-
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	(50.995)	397.643	(346.648)	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+.....+X+XI)		652.290	-	-	272.693	-	(17.261)	-	-	(37.551)	1.289	1.736.591	-	293.497	2.901.548	-	2.901.548

1. Increase/Decrease of Accumulated Revaluation Reserve on Tangible,
2. Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans,
3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Not Be Reclassified at Profit and Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Not Be Reclassified at Profit or Loss,
4. Exchange Differences on Translation Reserve,
5. Accumulated Revaluation and/or Classification Gains/(Losses) of Financial Assets at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gains/Losses, Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Be Reclassified at Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Be Reclassified at Profit or Loss).

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency ("BRSA") on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

The accompanying explanations and notes set out on pages 19 to 106 form an integral part of these consolidated financial statements

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

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

VI. STATEMENT OF CASH FLOWS	Note (Section Five VI)	Reviewed Current Period (30.06.2019)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(VI-a)	773.864
1.1.1 Interest Received	(VI-a)	1.851.112
1.1.2 Interest Paid	(VI-a)	(1.053.529)
1.1.3 Dividend Received		6.414
1.1.4 Fees and Commissions Received		215.388
1.1.5 Other Income		140.644
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		58.842
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(263.550)
1.1.8 Taxes Paid		(68.150)
1.1.9 Other		(113.307)
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations		(2.733.398)
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(302.525)
1.2.2 Net Decrease in Due From Banks		(459.677)
1.2.3 Net (Increase) in Loans		(1.229.558)
1.2.4 Net (Increase) in Other Assets		(344.712)
1.2.5 Net Increase in Bank Deposits		(1.683.817)
1.2.6 Net Increase/(Decrease) in Other Deposits		1.830.217
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net (Decrease) in Funds Borrowed		(831.066)
1.2.9 Net Increase/(Decrease) in Matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(VI-a)	287.740
I. Net Cash Provided From Banking Operations		(1.959.534)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided From Investing Activities		(103.236)
2.1 Cash Paid for the Purchase of Associates, Subsidiaries and Joint Ventures		-
2.2 Cash Obtained from the Sale of Associates, Subsidiaries and Joint Ventures		-
2.3 Cash Paid for the Purchase of Tangible and Intangible Asset		7.632
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		-
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		-
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		(112.270)
2.7 Cash Paid for Purchase of Financial Assets at Amortized Cost		-
2.8 Cash Obtained From Sale of Financial Assets at Amortized Cost		-
2.9 Other		1.402
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided From Financing Activities		(28.612)
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		-
3.3 Equity Instruments Issued		-
3.4 Dividends Paid		-
3.5 Payments for Finance Lease Liabilities		(28.612)
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(VI-a)	107.944
V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		(1.983.438)
VI. Cash and Cash Equivalents at Beginning of the Period	(VI-d)	13.222.563
VII. Cash and Cash Equivalents at End of the Period	(VI-d)	11.239.125

Note: The necessary reclassifications have been made in the prior year's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by the Banking Regulation and Supervision Agency (“BRSA”) on 1 February 2019. The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

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

VI. STATEMENT OF CASH FLOWS	Note (Section Five VI)	Reviewed Prior Period (30.06.2018)
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(VI-a)	(72.299)
1.1.1 Interest Received	(VI-a)	1.277.436
1.1.2 Interest Paid	(VI-a)	(576.800)
1.1.3 Dividend Received		-
1.1.4 Fees and Commissions Received		195.101
1.1.5 Other Income		169.478
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		128.418
1.1.7 Cash Payments to Personnel and Service Suppliers	(VI-a)	(251.990)
1.1.8 Taxes Paid		(49.462)
1.1.9 Other		(964.480)
1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations		2.391.856
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		52.676
1.2.2 Net Decrease in Due From Banks		(671)
1.2.3 Net (Increase) in Loans		(834.083)
1.2.4 Net (Increase) in Other Assets		(483.428)
1.2.5 Net Increase in Bank Deposits		691.575
1.2.6 Net Increase/(Decrease) in Other Deposits		1.724.121
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net (Decrease) in Funds Borrowed		3.399
1.2.9 Net Increase/(Decrease) in Matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(VI-a)	1.238.267
I. Net Cash Provided From Banking Operations		2.319.557
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided From Investing Activities		944.541
2.1 Cash Paid for the Purchase of Associates, Subsidiaries and Joint Ventures		-
2.2 Cash Obtained from the Sale of Associates, Subsidiaries and Joint Ventures		-
2.3 Cash Paid for the Purchase of Tangible and Intangible Asset		(10.510)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		3.214
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		377.775
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		584.362
2.7 Cash Paid for Purchase of Financial Assets at Amortized Cost		-
2.8 Cash Obtained From Sale of Financial Assets at Amortized Cost		-
2.9 Other		(10.300)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided From Financing Activities		-
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		-
3.3 Equity Instruments Issued		-
3.4 Dividends Paid		-
3.5 Payments for Finance Lease Liabilities		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(VI-a)	(13.199)
V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)		3.250.899
VI. Cash and Cash Equivalents at Beginning of the Period	(VI-d)	4.784.148
VII. Cash and Cash Equivalents at End of the Period	(VI-d)	8.035.047

Note: The prior period consolidated financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 31 December 2018 and 30 June 2019 consolidated financial statements are prepared on different principles, 2018 financial statements are presented separately.

The accompanying explanations and notes set out on pages 19 to 106 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 Group prepared the accompanying consolidated financial statements within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”) and in case where a specific regulation is not made by BRSA and Turkish Accounting Standards published by the Public Oversight Accounting for the format and detail 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 dated February 1, 2019 which include Turkish Accounting Standard principles.

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 TFRS requires the Bank Management to use of certain make assumptions and estimates on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are reviewed regularly and, when necessary, corrections are made and the effects of these corrections are reflected to the income statement. The estimations and projections used are explained in corresponding disclosures.

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

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2018 except for the application of calculation of loan allowance according to “TFRS 9 Financial Instruments” and application of “TFRS 16 Leases”.

The accounting policies and valuation principles related with current period are explained in Notes II to XXXII .

c. Different accounting policies applied in the preparation of consolidated financial statements:

Where the accounting policies used by the subsidiaries differ from the Parent Bank, the differences are aligned in the financial statements by taking into account the materiality criterion.

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I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

Changes in Accounting policies and disclosures

Explanations on TFRS 16 “Leases”:

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same.

As of 30 June 2019, The Parent Bank recognized right of use asset classified under tangible assets, lease liability, depreciation expense and interest expense amounting to TL 164.899, TL 139.493, TL 15.627 and TL 11.864, respectively due to application of TFRS 16.

Explanations on TFRS 9 “Financial Instruments”:

Explanations on TFRS 9 “Financial Instruments” are explained in Note XXVI.

Explanation for convenience translation into English:

The differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, account 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.

**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 Bank has been established by diversifying fund resources and keeping sufficient cash and cash equivalences.

The Group applies sophisticated 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 exchange rates prevailing. Gains and losses arising from such valuations are recognized 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.

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III. INFORMATION ON SUBSIDIARIES AND SUBSIDIARIES

The Group has no investments in associates as of 30 June 2019. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiary of the Bank is HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on 10 December 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide hospitality, catering and private waiting room. The accompanying financial statements are not consolidated as they are non-financial subsidiaries.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

In order to reduce the foreign exchange position risk the Parent Bank conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Bank conducts interest futures and forward interest rate agreements. The fair value differences of derivative instruments that are reflected in the profit and loss accounts are measured at fair value and associated with income statement during recognition. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Derivative Financial Assets at Fair Value Through Profit or Loss”; and if the fair value difference is negative, it is disclosed under “Derivative Financial Liabilities at Fair Value Through Profit or Loss”. Differences arising from the valuation of fair value are reflected in the "Derivative Financial Transactions Gains/Losses" account under income.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. When applying the effective interest rate method, an entity identifies fees that are an integral part of the effective interest rate method of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss.

When applying the effective interest method, The Parent Bank amortized any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements. If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

All fees and commission income are recognised on an accrual basis in accordance with the matching principle or “Effective Rate Method (Internal Rate of Return Method)” and according to the TFRS 15 “Revenue From Contracts With Customers”, except for certain commission income for various banking services, which are recorded as income at the time of collection.

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VII. EXPLANATIONS ON FINANCIAL ASSETS

The Group categorizes its financial assets as fair value through profit/loss, fair value through other comprehensive income or measured at amortized cost. Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value. The Group recognize a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Parent Bank's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

Classification and measurement of financial instruments

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “Solely Payments of Principal and Interest” (“SPPI”).

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Parent Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank consider:

- Contingent events that would change the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Features that modify consideration for the time value of money

a. Financial Assets at Fair Value Through Profit or Loss:

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income:

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset.

“Unrealized gains and losses” arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders’ equity as “Other accumulated comprehensive income that will be reclassified in profit or loss”, until the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. 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.

During initial recognition an entity can choose in an irrevocable was to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

c. Financial Assets Measured in Amortized Cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition, they are carried at “Amortized Cost” using the “effective interest method”. As of 30 June 2019 and 31 December 2018, the Group has no marketable securities measured at amortized cost.

d. Loans:

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method".

Group’s loans are recorded under the "Measured at Amortized Cost" account.

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES

The Group recognizes a loss allowance for expected credit losses on financial assets measured in amortized cost and financial assets at fair value through other comprehensive income.

As of 1 January 2019, the Group recognizes a loss allowance for expected credit losses based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” in accordance with TFRS 9. In this context, the loan provision calculation method which is set out in accordance with the relevant legislation of BRSA as explained in detail in the accounting policy numbered X-a as of 31 December 2018 changed by applying expected credit loss model with the implementation of TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets are divided into three categories below depending on the increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, a lifetime expected credit loss is recorded.

Calculation of expected credit losses

The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PDs and LGDs used in the ECL calculation are point in time (“PIT”)-based for key portfolios and consider both current conditions and expected cyclical changes.

While the expected credit loss is estimated, three scenarios (baseline scenario, adverse scenario, optimistic scenario) are evaluated. Each of these scenarios was associated with the different PD and LGD.

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit losses which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Probability of Default (PD)

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs. In modeling, factors such as segment information, systematic and non-systematic information are taken into consideration.

It is used internal rating systems for commercial portfolio to measure risk level. The internal rating models used for the commercial and corporate portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the individual portfolio include; the behavioral data of the customer and the product in the Parent Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. In the retail portfolio, a structure was constructed on the segment based structure and the distribution of the customers among the predetermined segments. Segments are formed by product-specific variables and product based. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD)

The LGD represents an estimate of the loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. The Parent Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

Exposure at Default (EAD):

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios. While the expected credit loss is estimated, three scenarios (baseline scenario, bad scenario, optimistic scenario) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

Consideration of the Macroeconomic Factors

Probability of default parameters are determined by considering macroeconomic factors. The macroeconomic variables used in the calculation of the expected loss are as follows:

- Annual percentage change of GDP in USD
- Annual percentage change in revenue growth rate
- Annual change in export amount
- Annual percentage change in USD/TRY

Stages were determined through the models created using internal information for the Parent Bank simplified method has been applied for other financial institutions.

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VIII. EXPLANATIONS ON EXPECTED CREDIT LOSSES (Continued)

Calculating the Expected Loss Period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Parent Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Parent Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier. But due to segment-based approach to retail loans the maturity of the 95 percentile is calculated as the credit life.

Significant Increase In Credit Risk

The Parent Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Parent Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Parent Bank considers the absolute thresholds as well as the relative thresholds as an additional layer. Receivables below the absolute threshold value of default are not included in the relative threshold value comparison.

The Parent Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watch-list
- When there is a change in the payment plan
- Receivables with a negative probability above the predetermined threshold values between the probability of default at the date of release and the probability of default at the reporting date

IX. DERECOGNITION OF FINANCIAL INSTRUMENTS

a) Derecognition of financial assets due to change in contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a ‘new’ financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss. Where all risks and rewards of ownership of the asset have not been transferred to another party and the Parent Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

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IX. DERECOGNITION OF FINANCIAL INSTRUMENTS

b) Derecognition of financial assets without any change in contractual terms

The Group derecognizes the asset if;

- a) the contractual rights to cash flows from the financial asset are expired,
- b) the related financial asset and all risks and rewards of ownership of the asset are transferred to another party or
- c) When an entity retains the contractual rights to receive the cash flows of a financial asset (the ‘original asset’), but assumes a contractual obligation to pay those cash flows to one or more entities (the ‘eventual recipients’), the entity treats the transaction as a transfer of a financial asset if, and only if, the following condition is met:
 - 1) The Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

For equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

c) Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

d) Reclassification of financial instruments

Based on TFRS 9, it shall be reclassified all affected financial assets at amortized cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

e) Restructuring and refinancing of financial instruments

The Parent Bank may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

The restructuring is the modification of the loan contract terms of the borrower or the partial or complete refinancing of the loan due to financial difficulties that the borrower may encounter or will likely encounter in the payments.

To reclassify the restructured corporate and commercial loans as performing loans from non-performing loans, the following conditions must be met:

- All of the overdue payments that cause the loan to be classified in the non-performing loans have been collected without using the collaterals.
- There is no delayed payment of the receivable as of the reclassification date and the last two payments before this date are due and complete.
- Ensuring the classification requirements of the company in the first or second stage.

In the case of Personal Loans, if the non-fulfillment of the payment obligation to the Parent Bank results from the temporary liquidity shortage, loans may be restructured in order to provide the borrower with

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liquidity power and to collect the receivable of the Parent Bank. Removal of customers from the scope of restructuring is done within the scope of the Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables.

- The loan, which is restructured in the process of performing-private restructuring loans (need-vehicle-housing), is considered as close monitoring and is followed in close monitoring at the time of restructured loan period.
- Performing-Individual restructuring in the credit card process can be subtracted from close monitoring if paid 12 months from the date of restructuring and paid at least 10% of the restructured / financed principal amount.
- There is no restructuring of loan and credit card related to the non-performing loans.

X. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES

a. Loans and Receivables:

Loans are financial assets raised through lending, providing services or products. Assets in this subject are reflected in the balance sheet measured at amortized cost using effective interest rate method.

The Parent Bank makes risk assessment for the loans on the consumer and portfolio basis and provides specific provisions for the non-performing loans not less than the determined minimum rates according to 10th, 11th, 13th and 15th articles of the “Regulation on Procedures and Principles for Determination of Qualifications of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 and numbered 29750. In addition to the non-performing loans, the Bank provides general loan loss provisions for the loans and receivables which are defined in the same communiqué. The interests and accruals of the non-performing loans are derecognized from the financial statement and provision expense is recognized in the income statement. Releases of current period provisions are made by the reversal of the amount from the “Provision for Impairment of Loans and Other Receivables” account.

The Parent Bank’s loans are recorded under the “Measured at Amortized Cost” account.

XI. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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 recognized amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis.

XII. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES’ LENDING TRANSACTIONS

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value difference through profit or loss”, “Financial assets at fair value difference through other comprehensive income” and “Measured at amortized cost” in the balance sheet according to the investment purposes and measured according to the portfolio of the Parent Bank to which they belong. Funds obtained under repurchase agreements are accounted under “Funds provided under repurchase agreements” in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the “Effective interest (internal return) method”. Funds given against securities purchased under agreements to resell (“Reverse repo”) are accounted under “Receivables from money market” 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 Parent Bank has no securities lending transactions.

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

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

As of 30 June 2019 and 31 December 2018, the Group has no discontinued operations.

XIV. 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.

As of 30 June 2019, there is no net book value of goodwill (31 December 2018: None).

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

XVI. EXPLANATIONS ON LEASING TRANSACTIONS

The Group recognized assets held under finance leases on the basis of the lower of its fair value and the present value of the lease payments. Fixed assets acquired under finance lease contracts are classified in tangible assets and amortized over their estimated useful lives. 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 recognized. Liabilities arising from the leasing transactions are included in “Financial lease payables” in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are presented the income statement. The Group does not provide finance lease services as a “Lessor”.

At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognizes an asset representing the right to use the underlying asset and depreciates it during the lease term. The lease

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payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee’s incremental borrowing rate. Lessees are required to recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

XVII. 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.

XVIII. 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 recognized 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 financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs.

XIX. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 4,90% (31 December 2018: 4,50%).

As of 30 June 2019, actuarial loss amounted to TL 17.261 (31 December 2018: TL 28.652 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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XX. 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%. However, according to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated 5 December 2017, corporate tax rate applies as 22% for the three year period between 2018 and 2020. Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless there is a profit distribution.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related “Double Tax Treaty Agreements” are taken into account. An increase in capital via issuing bonus 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 is credited against the annual corporation tax, calculated on their annual corporate income in the following year. Companies file their tax returns until the 25th day of the fourth month after the closing of the accounting year to which they relate.

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

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.

In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The Law regarding amendments on Certain Tax Laws was approved in the Grand National Assembly of Turkey on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to the Law that have been enacted, deferred tax assets and liabilities shall be measured at the tax rate 22% that are expected to apply to these periods when the assets is realized or the liability is settled. From 2021 onwards, deferred tax assets and liabilities were measured by 20% tax rate.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements. After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. As of 30 June 2019, the Bank has recognized deferred tax receivables amounting to TL 232.374 as assets (31 December 2018: Deferred tax receivables amounting to TL 139.325 as assets).

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XX. EXPLANATIONS ON TAXATION (Continued)

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

XXI. EXPLANATIONS ON BORROWINGS

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 exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognized in the financial statements. The Group has no marketable securities issued and convertible bonds as of 30 June 2019 and 31 December 2018.

XXII. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 30 June 2019 and 31 December 2018, the Group has no issued share certificates.

XXIII. 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.

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 30 June 2019 and 31 December 2018, the Group has no government incentives.

XXV. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

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XXVI. EXPLANATIONS ON TFRS 9 FINANCIAL INSTRUMENTS

The Group has adopted TFRS 9 Financial Instruments (“TFRS 9”) with the exclusion of loan provision calculations, to replace TAS 39 Financial Instruments: Recognition and Measurement as of 1 January 2018, as issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated 19 January 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Group did not early adopt TFRS 9 in previous periods.

As of 1 January 2019, the Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and non-cash loans based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, expected credit loss which will be calculated for financial assets and hedge accounting.

In accordance with the transition rules option provided by the TFRS 9 "Financial Instruments", the Group is not restated the prior period financial statements and recognized the transition effect of the standard as of January 1, 2019 under equity's “prior year profit or loss” accounts then The Bank reclassified this effect to extraordinary reserves.

The Group applies the above-mentioned procedures for all financial assets to the balance sheet classification and measurement criteria.

Each financial assets classified as financial asset at fair value through profit or loss, at amortized cost, or at fair value through profit or loss at initial recognition. For the classification and measurement of financial liabilities, the application of the existing provisions in TAS 39 does not change much.

Explanations on the impact of TFRS 9 implementation of the Group is stated below.

Reconciliation of statement of financial position balances as at the transition of TFRS 9

The following table shows the reconciliation of provision of impairment loss as of 31 December 2018 and the new expected credit loss in accordance with TFRS 9 as of 1 January 2019.

Financial Assets(*)	Book value before TFRS 9 31 December 2018	Remeasurements	Book value After TFRS 9 1 January 2019
Loans	949.304	619.041	1.568.345
Stage 1&2	258.605	665.430	924.035
Stage 3	690.699	(46.389)	644.310
Other Assets	105.818	(102.373)	3.445
Non-Cash Loans	44.680	(20.725)	23.955
Stage 1&2	40.337	(22.689)	17.648
Stage 3	4.343	1.964	6.307
Total	1.099.802	495.943	1.595.745

(*)The Consolidated Subsidiaries' transition to TFRS 9 does not have a significant impact on the opening balance.

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XXVI. EXPLANATIONS ON TFRS 9 FINANCIAL INSTRUMENTS (Continued)

Effects on equity with TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2019 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The amounting to TL 495.943 difference which is an expense between the provision for impairment of the previous period of the Group and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2019 is classified as "Extraordinary Reserves" in shareholders' equity.

Deferred tax assets amounting to TL 108.073 and corporate tax loss amounting to TL 9.773 which have been cancelled due to TFRS 9 transition, have been reflected to the opening financials of January 1, 2019 and the related amount has been classified under "Extraordinary Reserves" in shareholders' equity.

XXVII. 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.

XXVIII. EARNINGS/LOSS PER SHARE

Earnings per share disclosed in the statement of profit or loss are calculated by dividing net earnings/(loss) for the year to the number of shares.

	Current Period 30 June 2019
Net Earnings/(Loss) for the Period	293.497
Number of Shares	65.229.000.000
Earnings/(Loss) per Share (*)	0,004499

(*) Amounts are expressed in full TL.

	Prior Period 30 June 2018
Net Earnings/(Loss) for the Period	161.714
Number of Shares	65.229.000.000
Earnings/(Loss) per Share (*)	0,002479

(*) Amounts are expressed in full TL.

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XXIX. 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 of the Republic of Turkey; and cash equivalents include interbank money market placements, reserve deposit average accounts, time deposits at banks and investments at marketable securities with original maturity periods of less than three months.

XXX. RELATED PARTIES

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

XXXI. RECLASSIFICATIONS

None.

XXXII. OTHER MATTERS

As permitted by the transitional provisions of TFRS 9, the Group elected not to restate comparative figures. As per the article named “Financial Reporting” of BRSA No. 24049440-045.01[3/8]-E.5380 dated 17 April 2018, prior periods’ information are presented in old format and TFRS 9 have not been implemented.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHAREHOLDERS’ EQUITY

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 June 2019, equity of the Group and the Parent Bank is amounting to TL 4.577.991 and TL 4.535.855 respectively, and capital adequacy ratio of the Group and the Parent Bank is 19,12% and 18,97% respectively. As of 31 December 2018 has been in accordance with former regulations, thus equity of the Group and the Parent Bank is amounting to TL 4.462.042 and TL 4.414.676 respectively and the capital adequacy ratio was 20,13% and 20,00% respectively. Capital adequacy ratio of the Group is higher than the minimum rate required by the related regulations.

a. Information about consolidated shareholders’ equity items:

	Current Period 30 June 2019	Amount as per the regulation before 01.01.2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	2.009.284	
Other Comprehensive Income according to TAS	-	
Profit	293.497	
Current Period Profit	293.497	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minorities' Share	-	
Common Equity Tier I Capital Before Deductions	2.955.071	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	54.812	
Leasehold Improvements on Operational Leases	34.592	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	149.552	149.552
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
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	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to second paragraph of the provisional article 2 in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued common share capital of the entity	-	
Amounts related to mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions from Common Equity Tier I Capital	238.956	
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	404.573	
Total Common Equity Tier I Capital	3.120.688	

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**I. EXPLANATIONS RELATED TO COMPONENTS OF CONSOLIDATED SHAREHOLDERS’
EQUITY (Continued)**

	Current Period 30 June 2019	Amount as per the regulation before 01.01.2014 (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties’ share in the Additional Tier I capital	-	-
Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital = Common Equity Tier I Capital + Additional Tier I Capital)	3.120.688	-
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.211.217	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties’ share in the Additional Tier II capital	-	-
Third parties’ share in the Additional Tier II capital (Covered by Temporary Article 3)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	253.550	-
Total Deductions from Tier II Capital	1.464.767	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity 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 (-)	259	-
Total Deductions from Tier II Capital	259	-
Total Tier II Capital	1.464.508	-
Total Equity (Total Tier I and Tier II Capital)	4.585.196	-
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
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	7.204	-
Other items to be Defined by the BRSA	-	-
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-

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EQUITY (Continued)**

	Current Period 30 June 2019	Amount as per the regulation before 01.01.2014 (*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4,577,992	
Total Risk Weighted Assets	23,942,532	
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	13,03	
Consolidated Tier I Capital Ratio (%)	13,03	
Consolidated Capital Adequacy Ratio (%)	19,12	
BUFFERS		
Total Additional Core Capital Requirement Ratio (a+b+c)	2,64	
a) Capital Conservation Buffer Ratio (%)	2,50	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,14	
c) Systemic significant Bank Buffer Ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital conservation and countercyclical Capital buffers to Risk weighted Assets (%)	5,89	
Amounts Lower Than Excesses as per the Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	929,181	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	253,550	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018-1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts to be recognized under transition regulations.

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EQUITY (Continued)**

	Prior Period 31 December 2018	Amount as per the regulation before 01.01.2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	2.060.279	
Other Comprehensive Income according to TAS	-	
Profit	346.648	
Current Period Profit	346.648	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Minorities' Share	-	
Common Equity Tier I Capital Before Deductions	3.059.217	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	74.744	
Leasehold Improvements on Operational Leases	37.265	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	150.955	150.955
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4.568	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
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	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	
Mortgage Servicing Rights exceeding the 10% Threshold of Tier I Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier I Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions from Common Equity Tier I Capital	267.532	
Total Common Equity Tier I Capital	2.791.685	

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	Prior Period 31 December 2018	Amount as per the regulation before 01.01.2014 (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Third parties’ share in the Additional Tier I capital	-	-
Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital = Common Equity Tier I Capital + Additional Tier I Capital)	2.791.685	-
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.454.324	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Temporary Article 4)	-	-
Third parties’ share in the Additional Tier I capital	-	-
Third parties’ share in the Additional Tier I capital (Covered by Temporary Article 3)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	225.850	-
Total Deductions from Tier II Capital	1.680.174	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity 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 (-)	214	-
Total Deductions from Tier II Capital	214	-
Total Tier II Capital	1.679.960	-
Total Equity (Total Tier I and Tier II Capital)	4.471.645	-
Amounts Deducted from Equity		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
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	9.603	-
Other items to be Defined by the BRSA	-	-
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-

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EQUITY (Continued)**

	Prior Period 31 December 2018	Amount as per the regulation before 01.01.2014 (*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	4,462,042	
Total Risk Weighted Assets	22,171,503	
CAPITAL ADEQUACY RATIOS		
Consolidated Common Equity Tier 1 Capital Ratio (%)	12,59	
Consolidated Tier I Capital Ratio (%)	12,59	
Consolidated Capital Adequacy Ratio (%)	20,13	
BUFFERS		
Bank-specific total CET1 Capital Ratio (%) (a+b+c)	1,90	
a) Capital Conservation Buffer Ratio (%)	1,88	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,02	
c) Systematic-important Bank Buffer Ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital conservation and countercyclical Capital buffers to Risk weighted Assets (%)	6,21	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
Limits for Provisions Used in Tier II Capital Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	404,760	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	229,353	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

(*) Amounts to be recognized under transition regulations.

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EQUITY (Continued)**

b. Items included in consolidated capital calculation:

Information about instruments that will be included in total capital calculation:	
Details on Subordinated Liabilities:	
Issuer	HSBC HOLDINGS PLC
Identifier(s) (CUSIP, ISIN vb.)	Subordinated Loans
Governing law (s) of the instrument	BRSA
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	Not Deducted
Eligible on unconsolidated and /or consolidated basis	Eligible
Instrument type	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1,211
Nominal value of instrument	1,211
Accounting classification of the instrument	Liability –Subordinated Loan
Issuance date of instrument	28.01.2015
Maturity structure of the instrument (demand/maturity)	Maturity
Original maturity of the instrument	10 Year
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	According to written approval of the BRSA, it can be fully repaid in the 5th year of the loan.
Subsequent call dates, if applicable	None
Coupon/dividend payment	
Fixed or floating coupon/dividend payments	Floating
Coupon rate and any related index	LIBOR + 4,48%
Existence of any dividend payment restriction	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible into equity shares	
If convertible, conversion trigger (s)	In case of the possibility of cancelling the Bank's operational permit or transferring to the Fund; The principal amount and interest payment liabilities of the loan may be terminated in whole or in part in accordance with the decision of the Board in this direction or it may be converted into capital by complying with the required legislation.
If convertible, fully or partially	Fully convertible
If convertible, conversion rate	The conversion rate / value shall be calculated based on the market data in the case of the exercise of the right.
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	
If bonds can be written-down, write-down trigger(s)	-
If bond can be written-down, full or partial	-
If bond can be written-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	After borrowing, before additional capital, same as other contribution capital
In compliance with article number 7 and 8 of " Own fund regulation "	In compliance with the requirements of Article 7 and 8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of " Own fund regulation "	In compliance with the requirements of Article 7 and 8 of "Own fund regulation"

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**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY
(Continued)**

Information on Article 5 of the Regulation on Equities of Banks:

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity	3.120.688	3.019.545	2.918.402	2.817.258	2.716.115
Transition process not implemented Common Equity	2.716.115	2.716.115	2.716.115	2.716.115	2.716.115
Tier 1 Capital	3.120.688	3.019.545	2.918.402	2.817.258	2.716.115
Transition process not implemented Tier 1 Capital	2.716.115	2.716.115	2.716.115	2.716.115	2.716.115
Total Capital	4.577.992	4.476.849	4.375.706	4.274.562	4.173.419
Transition process not implemented Equity	4.173.419	4.173.419	4.173.419	4.173.419	4.173.419
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	23.942.532	23.942.532	23.942.532	23.942.532	23.942.532
Capital Adequacy Ratio					
Common Equity	13,03%	12,61%	12,19%	11,77%	11,34%
Transition process not implemented Common Equity Ratio (%)	11,34%	11,34%	11,34%	11,34%	11,34%
Tier 1 Capital	13,03%	12,61%	12,19%	11,77%	11,34%
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	11,34%	11,34%	11,34%	11,34%	11,34%
Capital	19,12%	18,70%	18,28%	17,85%	17,43%
Transition process not implemented Capital Adequacy Ratio (%)	17,43%	17,43%	17,43%	17,43%	17,43%
LEVERAGE					
Leverage Ratio Total Risk Amount	51.425.952	51.425.952	51.425.952	51.425.952	51.425.952
Leverage (%)	%5,97	%5,87	%5,67	%5,48	%5,28
Transition process not implemented Leverage Ratio (%)	%5,28	%5,28	%5,28	%5,28	%5,28

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

The Group’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 27 February 2017. 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. Explanations on reconciliation of capital items with balance sheet amounts:

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 CONSOLIDATED COUNTER CYCLICAL CAPITAL BUFFER RATIO CALCULATION

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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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 are 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 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 except long positions held for foreign currency expected credit losses in accordance with TFRS 9. Foreign exchange bid rate of important foreign currencies are indicated in the table below.

c. Management policy for foreign currency risk:

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

d. Current foreign exchange bid rates of the Parent Bank 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 date of the financial statements and for the last five days prior to that date are presented below:

Current Period – 30 June 2019	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	5,7677	6,5665
Prior Balance Sheet Date		
28 June 2019	5,7677	6,5665
27 June 2019	5,7648	6,5500
26 June 2019	5,7706	6,5591
25 June 2019	5,7640	6,5672
24 June 2019	5,8096	6,6160
Prior Period – 31 December 2018	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	5,2885	6,0566
Prior Balance Sheet Date		
28 December 2018	5,2736	6,0359
27 December 2018	5,2928	6,0465
26 December 2018	5,3030	6,0438
25 December 2018	5,3030	6,0438
24 December 2018	5,3030	6,0438

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 June 2019, the Bank’s simple arithmetic average foreign exchange rate for USD is TL 5,8164 (December, 2018: TL 5,3104) and exchange rate for Euro is TL 6,5655 (December, 2018: TL 6,0426).

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IV. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

f. Information related to Group’s currency risk:

Current Period – 30 June 2019	Euro	USD	Other FC	Total
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1.472.059	1.615.873	555.800	3.643.732
Banks	28.673	317.149	2.107	347.929
Financial Assets at Fair Value through Profit or Loss (Net) (***)	592.419	864.067	4.164	1.460.650
Interbank Money Market Placements	-	2.010.590	-	2.010.590
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	4.183.394	2.904.728	4.374	7.092.496
Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets	368.354	265.188	58	633.600
Total Assets	6.644.899	7.977.595	566.503	15.188.997
Liabilities				
Bank Deposits	1	46.167	-	46.168
Foreign Currency Deposits	6.298.149	9.323.338	1.886.990	17.508.477
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	-	1.249.300	-	1.249.300
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	1.742	5.892	1.406	9.040
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	423.067	1.070.052	21.045	1.514.164
Total Liabilities	6.722.959	11.694.749	1.909.441	20.327.149
Net on Balance Sheet Position (****)	(78.060)	(3.717.154)	(1.342.938)	(5.138.152)
Net Off-Balance Sheet Position (****)	204.645	3.925.848	1.339.959	5.470.452
Financial Derivative Assets	12.454.770	23.129.997	2.992.206	38.576.973
Financial Derivative Liabilities	12.250.125	19.204.149	1.652.247	33.106.521
Non-cash Loans	1.100.683	1.749.756	380.733	3.231.172
Prior Period - 31 December 2018				
Total Assets	5.890.666	12.946.642	467.127	19.304.435
Total Liabilities	6.096.885	12.646.385	1.324.428	20.067.698
Net on-Balance Sheet Position	(206.219)	300.257	(857.301)	(763.263)
Net off-Balance Sheet Position	316.303	(229.759)	828.988	915.532
Financial Derivative Assets	8.156.299	11.522.133	1.231.193	20.909.625
Financial Derivative Liabilities	7.839.996	11.751.892	402.205	19.994.093
Non-cash Loans	1.316.616	1.102.091	227.014	2.645.721

(*) As of 30 June 2019, total loans amount consists foreign indexed loans amounting to TL 27.617 (31 December 2018: TL 167.693).

(**) As of 30 June 2019, Other liabilities consists derivative financial liabilities amounting to TL 1.294.465 (31 December 2018: 915.173).

(***) As of 30 June 2019, financial assets at fair value through profit or loss consists derivative financial assets amounting to TL 1.383.966 (31 December 2018: 970.944).

(****) It is consist of long positions on the balance sheet for stage 1&2 foreign currency expected credit losses in accordance with TFRS 9.

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

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

Current Period – 30 June 2019	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	1.795.572	-	-	-	-	1.981.877	3.777.449
Banks (*)	285.356	-	-	-	-	79.699	365.055
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	176.426	506.930	502.236	446.949	496.109	27.489	2.156.139
Interbank Money Market Placements (*)	8.884.061	-	-	-	-	-	8.884.061
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	473.731	98.540	52.579	-	624.850
Loans	6.519.018	949.862	3.047.591	4.173.505	869.788	265.568	15.825.332
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.812	-	109	253.460	-	1.149.153	1.404.534
Total Assets	17.662.245	1.456.792	4.023.667	4.972.454	1.418.476	3.503.786	33.037.420
Liabilities							
Bank Deposits	93.656	-	-	-	-	99.425	193.081
Other Deposits	16.675.119	2.778.489	567.951	1.983	-	4.753.411	24.776.953
Funds from Interbank Money Market	400.756	-	-	-	-	-	400.756
Miscellaneous Payables	-	-	4.509	-	-	269.550	274.059
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	-	-	1.923.547	-	-	-	1.923.547
Other Liabilities (**)(***)	158.746	440.646	524.197	844.660	567.831	2.932.944	5.469.024
Total Liabilities	17.328.277	3.219.135	3.020.204	846.643	567.831	8.055.330	33.037.420
Balance Sheet Long Position	333.968	-	1.003.463	4.125.811	850.645	-	6.313.887
Balance Sheet Short Position	-	(1.762.343)	-	-	-	(4.551.544)	(6.313.887)
Off-Balance Sheet Long Position	21.050	23.901	-	-	-	-	44.951
Off-Balance Sheet Short Position	-	-	(40.424)	(8.054)	-	-	(48.478)
Total Position	355.018	(1.738.442)	963.039	4.117.757	850.645	(4.551.544)	(3.527)

(*) Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT, Banks and interbank money market balances consist of expected credit losses amounting to TL 863.

(**) Financial Derivative Assets are shown in “Financial Assets at Fair Value Through Profit or Loss”, and Financial Derivative Liabilities are shown in “Other Liabilities”.

(***) Shareholders’ equity is presented under “Other Liabilities” item in “Non- Interest Bearing”.

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V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period – 31 December 2018	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years and Over	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	3.534.216	-	-	-	-	2.531.239	6.065.455
Banks	14.593	-	-	-	-	40.370	54.963
Financial Assets at Fair Value Through Profit or Loss (Net) (*)	200.407	215.768	473.262	131.635	7.068	20.223	1.048.363
Interbank Money Market Placements	8.415.487	-	-	-	-	-	8.415.487
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	456.176	54.953	-	511.129
Loans	6.028.930	1.622.793	2.493.079	4.585.695	776.936	191.139	15.698.572
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-	-
Other Assets	1.986	-	72	163.489	-	889.222	1.054.769
Total Assets	18.195.619	1.838.561	2.966.413	5.336.995	838.957	3.672.193	32.848.738
Liabilities							
Bank Deposits	1.744.608	-	-	-	-	132.885	1.877.493
Other Deposits	15.717.329	3.182.694	663.602	8.126	-	3.409.245	22.980.996
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	181.226	-	-	-	-	117.839	299.065
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	1.545.585	607.097	592.944	-	-	37.960	2.783.586
Other Liabilities (**)	141.786	212.530	621.265	448.329	-	3.483.688	4.907.598
Total Liabilities	19.330.534	4.002.321	1.877.811	456.455	-	7.181.617	32.848.738
Balance Sheet Long Position	-	-	1.088.602	4.880.540	838.957	-	6.808.099
Balance Sheet Short Position	(1.134.915)	(2.163.760)	-	-	-	(3.509.424)	(6.808.099)
Off-Balance Sheet Long Position	50.697	-	66.833	-	-	-	117.530
Off-Balance Sheet Short Position	-	(20.870)	-	(13.430)	-	-	(34.300)
Total Position	(1.084.218)	(2.184.630)	1.155.435	4.867.110	838.957	(3.509.424)	83.230

(*) Shareholders’ equity is presented under “Other Liabilities” item in “Non- Interest Bearing”.

(**) Financial Derivative Assets are shown in “Financial Assets at Fair Value Through Profit or Loss”, and Financial Derivative Liabilities are shown in “Other Liabilities”.

b. Effective average interest rates for monetary financial instruments:

Current Period – 30 June 2019	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	2,00	-	13,00
Banks	-	2,60	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	3,00	7,00	-	21,96
Interbank Money Market Placements	-	2,59	-	24,00
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	13,99
Loans	4,54	7,00	-	26,36
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	2,50	-	19,61
Other Deposits	0,75	2,41	-	21,36
Funds From Interbank Money Market	-	-	-	23,00
Miscellaneous Payables	-	-	-	-
Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	-	7,51	-	29,21

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V. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period - 31 December 2018	Euro	USD	Yen	TL
Assets				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	2,00	-	21,37
Banks	-	-	-	22,90
Financial Assets at Fair Value Through Profit or Loss (Net)	6,84	6,10	-	11,91
Interbank Money Market Placements	-	2,47	-	25,49
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	11,01
Loans	4,30	5,65	-	21,72
Financial Assets Measured at Amortized Cost	-	-	-	-
Liabilities				
Bank Deposits	-	2,50	-	19,60
Other Deposits	2,04	3,65	-	22,18
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Securities Issued (Net)	-	-	-	-
Funds Provided from Other Financial Institutions	-	6,72	-	29,21

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

Position risk of equity securities in banking book:

As of 30 June 2019, the Parent Bank has no financial assets that would cause a significant effect on its equity securities position (31 December 2018: None).

VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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**VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND
LIQUIDITY COVERAGE RATIO (Continued)**

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

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

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

All subsidiaries of the controlling shareholder of the Parent Bank 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 Parent Bank adopts funding illiquid assets with stable funding instruments and funds in the need of to be always available as a principle. Stable funding instruments consist of stable 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 stable deposits as primary measurement. Deposits of retail banking customers is the primary component of funding management because they are more stable and cost-efficient compared to other line of businesses. Moreover, other debt instruments with maturities of medium and long term are also used because of diversifying and balancing funding base in terms of maturity, currency, fund resource and cost; and because their average deposit maturity is less compared to the assets.

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

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

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

Information on liquidity risk mitigation techniques:

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

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**VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND
LIQUIDITY COVERAGE RATIO (Continued)**

Explanation of the usage of stress test:

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

General Information on liquidity emergency and contingency plans:

Liquidity Emergency and Contingency Plan is approved by the Board of Directors and ALCO and renewed on yearly basis. The plan contains detailed analyses and information about the actions to be taken in crisis management and employees responsible for the process, liquidity Access resources, liquidity situation of the 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 Central Bank of the Republic of Turkey (CBRT), reverse repurchase agreements, securities that are not subject to repurchase/collateral held for providing liquidity, corporate and bank deposits that may cause high cash outflows, non-deposit borrowings that are became due and receivables from banks form the most important components which affect the results of liquidity coverage rate due to the liquidity of the assets, having high volume in net cash outflows and having high rate of consideration. The ratio may fluctuate periodically due to reasons listed below;

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

Explanation regarding the components of high quality liquid assets:

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

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, repurchase agreements and borrowings. Deposits that are used for founding consists 76% of total liabilities.

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**VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND
LIQUIDITY COVERAGE RATIO (Continued)**

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

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

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

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

Current Period – 30.06.2019	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
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			12.638.341	8.684.685
Cash Outflows				
Real person and retail deposits	17.638.172	13.726.087	1.692.760	1.372.609
Stable deposits	1.421.154	-	71.058	-
Less stable deposits	16.217.018	13.726.087	1.621.702	1.372.609
Unsecured debts other than real person and retail deposits	8.505.063	3.793.724	4.539.451	1.658.460
Operational deposits	-	-	-	-
Non-operational deposits	7.996.718	3.740.690	4.031.107	1.605.425
Other unsecured debts	508.345	53.034	508.344	53.035
Secured debts	-	-	-	-
Other cash outflows	1.822.827	3.381.537	1.822.827	3.381.537
Derivative liabilities and collateral completion liabilities	1.822.827	3.381.537	1.822.827	3.381.537
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	8.669.761	3.111.164	884.020	464.922
Other irrevocable or revocable (based on conditions) off-the-balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			8.939.058	6.877.528
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	5.110.649	1.272.926	3.324.064	957.752
Other cash inflows	191.925	4.085.135	191.925	4.085.135
TOTAL CASH INFLOWS	5.302.574	5.358.061	3.515.989	5.042.887
			Values to which the upper limit is applied	
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			12.638.341	8.684.685
TOTAL NET CASH OUTFLOWS			5.423.069	1.834.641
LIQUIDITY COVERAGE RATIO (%)			233,05	473,37

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

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VII. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

Table below represents lowest, highest and average liquidity coverage rates for the last three months.

	Current Period - 30.06.2019			
	TL+FC	FC	TL+FC	FC
Highest (%)	273,76	563,57		
Date	05.04.2019	10.06.2019		
Lowest (%)	177,81	231,21		
Date	26.06.2019	10.05.2019		
Average (%)	233,05	473,37		
			Total value to which the consideration ratio is not applied (*)	Total value to which the consideration ratio is applied (*)
Prior Period – 31.12.2018	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
High Quality Liquid Assets			10.617.622	9.266.490
Cash Outflows				
Real person and retail deposits	17.009.619	11.374.954	1.618.048	1.137.495
Stable deposits	1.658.278	-	82.914	-
Less stable deposits	15.351.341	11.374.954	1.535.134	1.137.495
Unsecured debts other than real person and retail deposits	8.151.456	5.239.933	3.661.282	2.171.528
Operational deposits	-	-	-	-
Non-operational deposits	7.852.453	5.207.865	3.362.280	2.139.461
Other unsecured debts	299.003	32.068	299.002	32.067
Secured debts	-	-	-	-
Other cash outflows	1.735.406	2.965.608	1.735.406	2.965.608
Derivative liabilities and collateral completion liabilities	1.735.406	2.965.608	1.735.406	2.965.608
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	8.541.948	2.828.218	890.504	466.375
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
TOTAL CASH OUTFLOWS			7.905.240	6.741.006
Cash inflows				
Secured liabilities	-	-	-	-
Unsecured liabilities	6.293.192	2.387.926	4.394.905	2.059.840
Other cash inflows	78.282	1.827.692	78.282	1.827.692
TOTAL CASH INFLOWS	6.371.474	4.215.618	4.473.187	3.887.532
				Values to which the upper limit is applied
TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY			10.617.622	9.266.490
TOTAL NET CASH OUTFLOWS			3.432.053	2.853.474
LIQUIDITY COVERAGE RATIO (%)			309,37	324,74

(*) 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 2018.

	Prior Period - 31.12.2018			
	TL+FC	FC	TL+FC	FC
Highest (%)	529,57	537,49		
Date	28.12.2018	28.12.2018		
Lowest (%)	253,22	227,95		
Date	04.10.2018	04.10.2018		
Average (%)	309,37	324,74		

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**VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND
LIQUIDITY COVERAGE RATIO (Continued)**

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

Current Period - 30 June 2019	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated	Total
Assets								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT(****)	1.981.877	1.795.572	-	-	-	-	-	3.777.449
Banks (****)	55.689	285.356	-	-	-	-	24.010	365.055
Financial Assets at Fair Value through Profit or Loss (Net) (***)	-	126.009	112.412	411.171	691.794	787.264	27.489	2.156.139
Interbank Money Market Placements(****)	-	8.884.061	-	-	-	-	-	8.884.061
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	-	570.149	54.701	-	624.850
Loans	-	4.422.155	2.718.654	3.274.980	4.290.972	853.003	265.568	15.825.332
Financial Assets at Fair Value Through Amortized Cost	-	-	-	-	-	-	-	-
Other Assets (*)	-	1.812	-	109	253.460	-	1.149.153	1.404.534
Total Assets	2.037.566	15.514.965	2.831.066	3.686.260	5.806.375	1.694.968	1.466.220	33.037.420
Liabilities								
Bank Deposits	99.425	93.656	-	-	-	-	-	193.081
Other Deposits	4.753.411	16.675.119	2.778.489	567.951	1.983	-	-	24.776.953
Funds Provided from Other Financial Institutions	-	-	-	674.247	-	1.249.300	-	1.923.547
Money Market Borrowings	-	400.756	-	-	-	-	-	400.756
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	4.509	-	-	269.550	274.059
Other Liabilities (**)(***)	-	115.534	79.561	452.864	1.077.496	813.683	2.929.886	5.469.024
Total Liabilities	4.852.836	17.285.065	2.858.050	1.699.571	1.079.479	2.062.983	3.199.436	33.037.420
Net Liquidity Excess / (Gap)	(2.815.270)	(1.770.100)	(26.984)	1.986.689	4.726.896	(368.015)	(1.733.216)	-
Net Off Balance Sheet Position								
Derivative Financial Assets	-	21.049	28.424	(44.088)	(8.913)	-	-	(3.528)
Derivative Financial Liabilities	-	25.659.874	6.089.605	6.991.983	18.805.568	6.714.273	-	64.261.303
Non-cash Loans	2.296.929	33.673	95.871	1.669.723	176.212	1.810	-	4.274.218
Prior Period - 31 December 2018								
Total Assets	2.553.782	17.587.563	2.049.423	3.092.068	5.512.071	935.419	1.118.412	32.848.738
Total Liabilities	3.580.090	17.749.969	3.964.653	1.839.840	556.347	1.565.443	3.592.396	32.848.738
Net Liquidity Excess / (Gap)	(1.026.308)	(162.406)	(1.915.230)	1.252.228	4.955.724	(630.024)	(2.473.984)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	50.696	(20.869)	66.832	(13.429)	-	-	83.230
Derivative Financial Liabilities	-	13.554.469	3.991.419	8.862.705	13.942.201	1.664.084	-	42.014.878
Non-cash Loans	2.116.746	64.051	258.606	678.814	536.647	3.298	-	3.658.162

(*) 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.

(***) Financial Derivative Assets are shown in "Financial Assets at Fair Value Through Profit or Loss", and Financial Derivative Liabilities are shown in "Other Liabilities".

(****) Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT, Banks and interbank money market balances consist of expected credit losses amounting to TL 863.

c. Information on securitization positions:

None.

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VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

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

	Current Period 30.06.2019 (*)
Assets On the Balance Sheet	
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	26.019.140
2 (Assets deducted from core capital)	(184.875)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	25.834.265
Derivative Financial Instruments and Loan Derivatives	
4 Renewal cost of derivative financial instruments and loan derivatives	637.492
5 Potential credit risk amount of derivative financial instruments and loan derivatives	629.080
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.266.572
Financing Transactions with Securities or Goods Warranties	
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	100.313
8 Risk amount arising from intermediated transactions	-
9 Total risk amount of financing transactions with securities or goods warranties (sum of lines 7 and 8)	100.313
Off-the-Balance Sheet Transactions	
10 Gross nominal amount of the off-the-balance sheet transactions	24.224.802
11 Adjustment amount arising from multiplying by the credit conversion rate	-
12 Total risk amount for off-the-balance sheet transactions (sum of lines 10 and 11)	24.224.802
Capital and Total Risk	
13 Core capital	3.070.984
14 Total risk amount (sum of lines 3,6,9 and 12)	51.425.952
Transition Process Unapplied Leverage Ratio	
15 Transition process unapplied leverage ratio (%)	5,97

(*) Table represents three month average amounts.

	Prior Period 31.12.2018 (*)
Assets On the Balance Sheet	
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	25.547.386
2 (Assets deducted from core capital)	(178.782)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	25.368.604
Derivative Financial Instruments and Loan Derivatives	
4 Renewal cost of derivative financial instruments and loan derivatives	645.111
5 Potential credit risk amount of derivative financial instruments and loan derivatives	617.504
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.262.615
Financing Transactions with Securities or Goods Warranties	
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	123.170
8 Risk amount arising from intermediated transactions	-
9 Total risk amount of financing transactions with securities or goods warranties (sum of lines 7 and 8)	123.170
Off-the-Balance Sheet Transactions	
10 Gross nominal amount of the off-the-balance sheet transactions	15.826.565
11 Adjustment amount arising from multiplying by the credit conversion rate	-
12 Total risk amount for off-the-balance sheet transactions (sum of lines 10 and 11)	15.826.565
Capital and Total Risk	
13 Core capital	2.769.278
14 Total risk amount (sum of lines 3,6,9 and 12)	42.580.954
Leverage Ratio	
15 Leverage ratio (%)	6,50

(*) Table represents three month average amounts.

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VIII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO (Continued)

	Current Period 30.06.2019 (**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*)	33.686.751
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”	399.456
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	(629.080)
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	8.352.525
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	51.425.952

(*) 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.

	Prior Period 31.12.2018 (**)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*)	31.296.578
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”	(1.771.615)
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	(617.504)
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	7.399.186
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	42.580.954

(*) 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 required tables have not been presented on 30 June 2019:

- 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
	Current Period 30 June 2019	Prior Period 31 December 2018	Capital Requirements Current Period 30 June 2019
Credit risk (excluding counterparty credit risk)	18.386.489	16.889.761	1.470.919
Standardised approach	18.386.489	16.889.761	1.470.919
Internal rating-based approach	-	-	-
Counterparty credit risk	1.897.499	1.458.480	151.800
Standardised approach for counterparty credit risk	1.897.499	1.458.480	151.800
Internal model method	-	-	-
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	-	-	-
IRB supervisory formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	958.476	1.003.877	76.678
Standardised approach	958.476	1.003.877	76.678
Internal model approaches	-	-	-
Operational risk	2.700.068	2.819.385	216.005
Basic indicator approach	2.700.068	2.819.385	216.005
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
TOTAL	23.942.532	22.171.503	1.915.402

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

b. Credit Quality of Assets

Provisions are allocated to the defaulted receivables at the relevant rates after considering the guarantees specified in the Provisions Regulation. There is no difference between “overdue” and “provision” definitions.

Current period 30 June 2019	Gross carrying values of (according to TAS)		Allowances / amortization and impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	989.068	16.472.201	723.500	16.737.769
Debt securities	-	1.005.606	23.030	982.576
Off-balance sheet receivables	4.396	21.664.648	1.761	21.667.283
Total	993.464	39.142.455	748.291	39.387.628

Current period 31 December 2019	Gross carrying values of (according to TAS)		Allowances / amortization and impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans (*)	881.914	15.507.433	690.775	15.698.572
Debt securities	-	587.938	29.573	558.365
Off-balance sheet receivables	4.699	11.222.374	4.343	11.222.730
Total	886.613	27.315.745	724.691	27.479.667

(*) Includes factoring receivables amounting to TL 113.896.

c. Changes in stock of defaulted loans and debt securities:

	Current period 30 June 2019
I. Defaulted loans and debt securities at the end of the previous reporting period	886.613
II. Loans and debt securities that have defaulted since the last reporting period	165.996
III. Returned to non-defaulted status	-
IV. Amounts written off	-
V. Other changes (*)	(59.145)
VI. Defaulted loans and debt securities at the end of the reporting period (I+II-III-IV±V)	993.464

(*) Includes collections during the period.

	Prior period 31 December 2018
I. Defaulted loans and debt securities at the end of the previous reporting period	864.976
II. Loans and debt securities that have defaulted since the last reporting period	195.881
III. Returned to non-defaulted status	-
IV. Amounts written off	3.848
V. Other changes (*)	(170.396)
VI. Defaulted loans and debt securities at the end of the reporting period (I+II-III-IV±V)	993.464

(*) Includes collections during the period.

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

d. Credit risk mitigation techniques – overview:

Current period 30 June 2019	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
Loans	15.251.161	1.486.608	1.396.026	799	639	-	-
Debt securities	982.576	-	-	-	-	-	-
Total	16.233.737	1.486.608	1.396.026	799	639	-	-
Of which defaulted	582.033	407.035	384.766	4.564	3.651	-	-

Current period 31 December 2018	Exposures unsecured of (according to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
Loans	14.118.632	1.579.940	1.455.267	1.160	928	-	-
Debt securities	558.365	-	-	-	-	-	-
Total	14.676.997	1.579.940	1.455.267	1.160	928	-	-
Of which defaulted	670.253	211.661	86.987	4.783	3.827	-	-

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

Current period 30 June 2019	Exposures before credit conversion of factor and CRM		Exposures post-credit conversion of factor and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
Exposures to central governments or central banks	4.120.286	683.460	4.120.286	280.311	-	-
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	5	92	5	3	8	100%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to internationals organizations	-	-	-	-	-	-
Exposures to institutions	1.006.675	1.190.631	1.006.675	1.075.683	881.638	42%
Exposures to corporates	11.984.034	5.926.886	11.869.639	4.100.576	15.970.221	100%
Retail exposures	3.077.855	3.919.938	2.928.900	312.241	2.452.998	76%
Exposures secured by residential property	242.647	510	242.641	192	84.992	35%
Exposures secured by commercial real estate	572.955	11.072	572.955	5.986	314.683	54%
Past-due exposures	272.334	-	272.315	-	238.512	88%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
Other assets	896.636	21.602	896.636	14.318	340.936	37%
Investment in equities	-	-	-	-	-	-
Total	22.173.427	11.754.191	21.910.052	5.789.310	20.283.988	73%

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Prior Period 31 December 2018	Exposures before credit conversion of factor and CRM		Exposures post-credit conversion of factor and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Asset classes						
Exposures to central governments or central banks	6.067.789	187.645	6.067.789	93.838	496.641	8%
Exposures to regional governments or local authorities	-	-	-	-	-	-
Exposures to public sector entities	217	101	217	34	80	32%
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to internationals organizations	-	-	-	-	-	-
Exposures to institutions	683.160	1.331.767	683.165	1.208.587	755.741	40%
Exposures to corporates	10.429.612	4.349.332	10.403.686	3.121.307	13.524.993	100%
Retail exposures	3.324.348	3.919.889	3.172.221	201.957	2.547.223	75%
Exposures secured by residential property	293.727	-	293.607	-	102.762	35%
Exposures secured by commercial real estate	936.751	63.700	936.750	36.296	588.134	60%
Past-due exposures	191.163	1.557	191.163	344	167.704	88%
Higher-risk categories by the Agency Board	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
Other assets	780.536	29.618	780.528	15.948	164.963	21%
Investment in equities	-	-	-	-	-	-
Total	22.707.303	9.883.609	22.529.126	4.678.311	18.348.241	67%

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

**Current period
30 June 2019**

Asset Classes / Risk Weight	0%	10%	20%	35%	50% Real estate securities covered	75%	100%	150%	200%	Other risk weights	Total risk amount
Exposures to central governments or central banks	4.400.597	-	-	-	-	-	-	-	-	-	4.400.597
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	8	-	-	-	8
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	-	-	1.290.216	-	339.979	-	449.279	2.884	-	-	2.082.358
Exposures to corporates	-	-	-	-	-	-	15.970.215	-	-	-	15.970.215
Retail exposures	-	-	-	-	-	3.152.567	88.574	-	-	-	3.241.141
Exposures secured by residential property	-	-	-	242.833	-	-	-	-	-	-	242.833
Exposures secured by commercial real estate	-	-	-	-	528.515	-	50.426	-	-	-	578.941
Past-due exposures	-	-	-	-	106.876	-	126.169	39.270	-	-	272.315
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investment in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	568.562	-	1.821	-	-	-	340.571	-	-	-	910.954
Total	4.969.159	-	1.292.037	242.833	975.370	3.152.567	17.025.242	42.154	-	-	27.699.362

**Prior period
31 December 2018**

Asset Classes / Risk Weight	0%	10%	20%	35%	50% Real estate securities covered	75%	100%	150%	200%	Other risk weights	Total risk amount
Exposures to central governments or central banks	5.664.986	-	-	-	-	-	496.641	-	-	-	6.161.627
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	214	-	-	-	37	-	-	-	251
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions	-	-	1.057.884	-	579.407	-	254.461	-	-	-	1.891.752
Exposures to corporates	-	-	-	-	-	-	13.524.993	-	-	-	13.524.993
Retail exposures	-	-	-	-	-	3.307.819	66.359	-	-	-	3.374.178
Exposures secured by residential property	-	-	-	293.607	-	-	-	-	-	-	293.607
Exposures secured by commercial real estate	-	-	-	-	769.825	-	203.221	-	-	-	973.046
Past-due exposures	-	-	-	-	50.158	-	138.797	2.552	-	-	191.507
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
Investment in equities	-	-	-	-	-	-	-	-	-	-	-
Other assets	631.513	-	-	-	-	-	164.963	-	-	-	796.476
Total	6.296.499	-	1.058.098	293.607	1.399.390	3.307.819	14.849.472	2.552	-	-	27.207.437

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

g. Analysis of counterparty credit risk exposure by approach:

Current period 30 June 2019	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
Standardised Approach (for derivatives)	749.700	786.306		1,4	1.536.008	1.213.656
Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					58.087	10.531
VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
Total						1.224.187

Prior period 31 December 2018	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory exposure at default	Exposure at default post CRM	RWA
Standardised Approach (for derivatives)	600.798	745.322		1,4	1.346.120	918.386
Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					112.360	22.472
VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
Total						940.858

h. Credit valuation adjustment (CVA) capital charge:

Current period 30 June 2019	Exposure at default post - CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk (VaR) component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardised CVA capital charge	1.594.095	673.313
Total subject to the CVA capital charge	1.594.095	673.313

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Prior period 31 December 2018	Exposure at default post - CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital charge	1.458.480	280.212
Total subject to the CVA capital charge	1.458.480	280.212

i. Standardised approach of CCR exposures by regulatory portfolio and risk weights:

Current Period - 30 June 2019									Total credit exposure (*)
Risk weight	0%	10%	20%	50%	75%	100%	150%	Others	
Claims from central governments and central banks	5.430	-	-	-	-	-	-	-	5.430
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	450.180	8.669	-	-	-	-	458.849
Corporates	-	-	-	-	-	1.058.967	-	-	1.058.967
Retail portfolios	-	-	-	-	-	70.849	-	-	70.849
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	5.430	-	450.180	8.669	-	1.129.816	-	-	1.594.095

(*) The amount relevant for the capital requirements calculation, having applied CRM techniques.

Prior period - 31 December 2018									Total credit exposure (*)
Risk weight	0%	10%	20%	50%	75%	100%	150%	Others	
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non commercial entity	-	-	214	-	-	-	-	-	214
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from institutions	-	-	645.988	1.320	-	-	-	-	647.308
Corporates	-	-	-	-	-	764.107	-	-	764.107
Retail portfolios	-	-	-	-	-	46.851	-	-	46.851
Claims on landed real estate	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	646.202	1.320	-	810.958	-	-	1.458.480

(*) The amount relevant for the capital requirements calculation, having applied CRM techniques

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IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)

j. Composition of collateral for CCR exposure:

Current period 30 June 2019	Collaterals for Derivatives				Collaterals for Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash-Local Currency	-	-	-	715	400.756	-
Cash – Foreign Currency	-	-	-	317.443	-	-
Government bond/bill- local	-	-	-	-	7.146.646	-
Government bond/bill - other	-	-	-	-	1.897.959	-
Publicly Establish bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	-
Equity Share	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
Total	-	-	-	318.158	9.445.361	-

Prior period 31 December 2018	Collaterals for Derivatives				Collaterals for Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash-Local Currency	-	-	-	-	-	-
Cash – Foreign Currency	-	-	-	-	-	-
Government bond/bill- local	-	-	-	-	380.728	-
Government bond/bill - other	-	-	-	-	8.353.618	-
Publicly Establish bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	-
Equity Share	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
Total	-	-	-	-	8.734.346	-

k. Standardised approach:

Current period 30 June 2019	RWA
Outright products	
Interest rate risk (general and specific)	535.685
Equity risk (general and specific)	18.425
Foreign exchange risk	378.878
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	25.488
Scenario approach	-
Securitization	-
Total	958.476

Prior period 31 December 2018	RWA
Outright products	
Interest rate risk (general and specific)	629.088
Equity risk (general and specific)	17.425
Foreign exchange risk	353.839
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	3.525
Scenario approach	-
Securitization	-
Total	1.003.877

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**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”.

XII. EXPLANATIONS ON OPERATING SEGMENTS

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

In the retail banking segment, the Bank provides debit card, credit card, deposits, consumer loan, payment and collection, premier customer services, custodian services, financial planning, insurance products services. In corporate and commercial banking segment, the Bank provides loans, commercial card, foreign trade financing, structured trading financing, project and export financing, syndications, custodian services, cash and risk management services. In the corporate and investment banking segment, loan and investment services, commercial card, insurance products, cash and risk management services are provided to 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	Bank’s Total Activities
Current Period – 30 June 2019					
Operating Income	320.818	520.308	311.474	-	1.152.600
Other	-	-	-	-	-
Operating Income	320.818	520.308	311.474	-	1.152.600
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(90.646)	238.219	216.620	12.518	376.711
Profit before Tax	(90.646)	238.219	216.620	12.518	376.711
Corporate Tax Provision (*)	-	-	-	(83.214)	(83.214)
Profit after Tax	(90.646)	238.219	216.620	(70.696)	293.497
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(90.646)	238.219	216.620	(70.696)	293.497
Segment Assets	3.470.488	8.532.059	21.034.653	-	33.037.200
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
Total Assets	3.470.488	8.532.059	21.034.653	220	33.037.420
Segment Liabilities	18.049.874	7.748.997	3.123.733	1.213.268	30.135.872
Undistributed Liabilities	-	-	-	2.901.548	2.901.548
Total Liabilities	18.049.874	7.748.997	3.123.733	4.114.816	33.037.420
Other Segment Items	351.283	(7.679)	(7.271)	-	336.333
Capital Investment	-	-	-	-	-
Amortization	(27.138)	(7.679)	(5.175)	-	(39.992)
Impairment	-	-	(2.096)	-	(2.096)
Non-Cash Other Income-Expense (**)	378.421	-	-	-	378.421

(*) 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	Bank's Total Activities
Prior Period - 31 December 2018 (***)					
Operating Income (***)	331.331	199.707	112.936	-	643.974
Other	-	-	-	-	-
Operating Income	331.331	199.707	112.936	-	643.974
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	38.428	91.451	82.838	(13)	212.704
Profit before Tax	38.428	91.451	82.838	(13)	212.704
Corporate Tax Provision (*)	-	-	-	(50.990)	(50.990)
Profit after Tax	38.428	91.451	82.838	(51.003)	161.714
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	38.428	91.451	82.838	(51.003)	161.714
Segment Assets	4.053.960	8.152.060	20.642.498	-	32.848.518
Associates and Subsidiaries	-	-	-	220	220
Undistributed Assets	-	-	-	-	-
Total Assets	4.053.960	8.152.060	20.642.498	220	32.848.738
Segment Liabilities	16.821.921	7.791.363	3.706.737	1.541.860	29.861.881
Undistributed Liabilities	-	-	-	2.986.857	2.986.857
Total Liabilities	16.821.921	7.791.363	3.706.737	4.528.717	32.848.738
Other Segment Items	243.611	(4.226)	(4.969)	-	234.416
Capital Investment	-	-	-	-	-
Amortization	(13.453)	(4.226)	(3.348)	-	(21.027)
Impairment	-	-	(1.621)	-	(1.621)
Non-Cash Other Income-Expense (**)	257.064	-	-	-	257.064

(*) Corporate tax provision is not distributed.

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

(***) Income-Expense items represent the amounts of 30 June 2018.

(****) Personnel Expenses are shown under operating income in compliance with the financial statement format.

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SECTION FIVE

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

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

1. Information on cash equivalents and balances with the CBRT:

	Current Period 30 June 2019	
	TL	FC
Cash/Foreign Currency	85.394	423.606
The CBRT	49.085	3.199.027
Other (*)	-	21.099
Total	134.479	3.643.732

(*) As of 30 June 2019, account of Precious Metal is amounting to TL 21.099. As of 30 June 2019 the Group has no Money in Transit.

	Prior Period 31 December 2018	
	TL	FC
Cash/Foreign Currency	84.321	547.868
The CBRT	2.256.577	3.159.099
Other (*)	-	17.590
Total	2.340.898	3.724.557

(*) As of 31 December 2018, account of Precious Metal is amounting to TL 17.590. As of 31 December 2018, there is no Money in Transit.

2. Information related to balances with the CBRT:

	Current Period 30 June 2019	
	TL	FC
Unrestricted Demand Deposit	42.412	1.409.706
Unrestricted Time Deposit (*)	6.673	5.872
Restricted Time Deposit	-	-
Reserve Requirements	-	1.783.449
Total	49.085	3.199.027

(*) “Transactions Related to Foreign Currency Deposits in Turkish Lira Deposits” published by Central Bank of the Republic of Turkey as of 17 January 2017 are recorded in the balance sheet under cash assets and deposit accounts.

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

	Prior Period 31 December 2018	
	TL	FC
Unrestricted Demand Deposit	534.189	1.347.271
Unrestricted Time Deposit (*)	1.722.388	502.714
Restricted Time Deposit	-	-
Reserve Requirements	-	1.309.114
Total	2.256.577	3.159.099

(*) “Transactions Related to Foreign Currency Deposits in Turkish Lira Deposits” published by Central Bank of the Republic of Turkey as of 17 January 2017 are recorded in the balance sheet under cash assets and deposit accounts.

3. Explanation on reserve deposits:

The banks operating in Turkey are subject to the Central Bank of the Republic of Turkey’s Communiqué numbered 2013/15 and are required to keep a deposit at the CBRT for their Turkish Lira, U.S. Dollar and/or Euro and standard gold.

As of 30 June 2019, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 1% - 7% (31 December 2018: 1,50% - 8%) for TL deposits and other liabilities and between 4% - 20% for FC deposits (31 December 2018: 4% - 20%).

b. Information on financial assets at fair value through profit or loss:

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

	Current Period 30 June 2019
Collateral/Blocked	3.550
Repurchase Agreement	-
Unrestricted	326.687
Total	330.237

	Prior Period 31 December 2018
Collateral/Blocked	3.708
Repurchase Agreement	-
Unrestricted	23.305
Total	27.013

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

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

	Current Period 30 June 2019	
	TL	FC
Forward Transactions	-	325.511
Swap Transactions	414.447	250.214
Futures Transactions	-	-
Options	-	808.241
Other	-	-
Total	414.447	1.383.966

	Prior Period 31 December 2018	
	TL	FC
Forward Transactions	-	490.631
Swap Transactions	30.183	234.520
Futures Transactions	-	-
Options	-	245.793
Other	-	-
Total	30.183	970.944

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 June 2019	
	TL	FC
Banks		
Domestic	17.164	7.232
Foreign	-	340.697
Foreign Head Office and Branches	-	-
Total	17.164	347.929

As of 30 June 2019, TL 38 provision has been provided to the Banks account in accordance with TFRS 9.

	Prior Period 31 December 2018	
	TL	FC
Banks		
Domestic	30.422	2.656
Foreign	-	21.885
Foreign Head Office and Branches	-	-
Total	30.422	24.541

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

2. Information on foreign bank accounts:

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

d. Information on financial assets fair value through other comprehensive income given as collateral/blocked and subject to repurchase agreements

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

	Current Period 30 June 2019
Collateral/Blocked	166.511
Repurchase Agreement	395.469
Unrestricted	62.870
Total	624.850

	Prior Period 31 December 2018
Collateral/Blocked	502.515
Repurchase Agreement	-
Unrestricted	8.614
Total	511.129

2. Information on financial assets at fair value through other comprehensive income:

	Current Period 30 June 2019
Debt Securities	647.722
Quoted to Stock Exchange	647.722
Not Quoted	-
Share Certificate	-
Quoted to Stock Exchange	-
Not Quoted	-
Impairment Provision (-)	22.872
Total	624.850

	Prior Period 31 December 2018
Debt Securities	540.700
Quoted to Stock Exchange	540.700
Not Quoted	-
Share Certificate	-
Quoted to Stock Exchange	-
Not Quoted	-
Impairment Provision (-)	29.571
Total	511.129

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I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)		
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 June 2019	
	Cash	Non-cash
Direct Loans Granted to Shareholders	-	109.513
Corporate Shareholders	-	109.513
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	5.508	407.912
Loans Granted to Employees	12.289	-
Total	17.797	517.425
	Prior Period 31 December 2018	
	Cash	Non-cash
Direct Loans Granted to Shareholders	-	141.077
Corporate Shareholders	-	141.077
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	15.268	492.414
Loans Granted to Employees	11.960	-
Total	27.228	633.491

2. Information on the standard loans and loans under close monitoring including loans that have been restructured or rescheduled:

	Loans under Close Monitoring			
	Cash Loans	Standard Loans	Loans not Subject to Restructuring	Restructured Loans
				Loans with Revised Contract Terms
Non-specialized Loans(*)	11.906.656	2.404.955	2.160.590	-
Discount Notes	7.965.140	1.589.857	1.978.458	-
Export Loans	626.775	178.901	114.787	-
Import Loans	177.215	-	-	-
Loans Given to Financial Sector	478.056	42.124	-	-
Retail Loans	1.068.284	227.641	5.291	-
Credit Cards	1.586.436	366.432	62.054	-
Other	4.750	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	11.906.656	2.404.955	2.160.590	-

(*) Includes the factoring receivables amounting to TL 113.896.

	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	157.041	-
Significant Increase in Credit Risk	-	755.396
Total	157.041	755.396

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 CONSOLIDATED ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	38.822	1.076.088	1.114.910
Mortgage Loans	45	459.073	459.118
Vehicle Loans	41	4.075	4.116
Consumer Loans	38.736	610.644	649.380
Other	-	2.296	2.296
Consumer Loans- Indexed to FC	-	879	879
Mortgage Loans	-	879	879
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	1.953.869	44.196	1.998.065
Instalment	676.965	44.196	721.161
Non Instalment	1.276.904	-	1.276.904
Individual Credit Cards-FC	6.889	-	6.889
Instalment	329	-	329
Non Instalment	6.560	-	6.560
Personnel Loans-TL	251	6.014	6.265
Mortgage Loans	-	-	-
Vehicle Loans s	-	-	-
Consumer Loans	251	6.014	6.265
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	5.936	-	5.936
Instalment	2.874	-	2.874
Non Instalment	3.062	-	3.062
Personnel Credit Cards-FC	87	-	87
Instalment	-	-	-
Non Instalment	87	-	87
Overdraft Account-TL (Individual)	179.162	-	179.162
Overdraft Account-FC (Individual)	-	-	-
Total	2.185.016	1.127.177	3.312.193

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

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

	Short-term	Medium and Long-term	Total
Commercial Instalment Loans-TL	-	49.523	49.523
Mortgage Loans	-	43.188	43.188
Automotive Loans	-	-	-
Consumer Loans	-	6.335	6.335
Other	-	-	-
Commercial Instalment Loans- Indexed to FC	-	36.406	36.406
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	36.406	36.406
Other	-	-	-
Commercial Instalment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	3.108	-	3.108
Instalment	382	-	382
Non Instalment	2.726	-	2.726
Corporate Credit Cards-FC	837	-	837
Instalment	-	-	-
Non Instalment	837	-	837
Overdraft Account-TL (Commercial)	-	-	-
Overdraft Account-FC (Commercial)	-	-	-
Total	3.945	85.929	89.874

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 June 2019
Domestic Loans	16.365.616
Foreign Loans	106.585
Total (*)	16.472.201

(*) Includes the factoring receivables amounting to TL 113.896.

	Prior Period 31 December 2018
Domestic Loans	15.320.331
Foreign Loans	187.102
Total (*)	15.507.433

(*) Includes the factoring receivables amounting to TL 192.282.

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

8. Loans granted to investments in associates and subsidiaries:

As of 30 June 2019 and 31 December 2018, the Bank has no loans granted to investments in associates and subsidiaries.

9. Specific provisions provided against loans:

	Current Period 30 June 2019
Loans with Limited Collectability	47.251
Loans with Doubtful Collectability	64.064
Uncollectible Loans	612.185
Total	723.500
	Prior Period 31 December 2018
Loans and Other Receivables with Limited Collectability	8.840
Loans and Other Receivables with Doubtful Collectability	31.109
Uncollectible Loans and Other Receivables	650.826
Total	690.775

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

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability and other receivables	Loans with Doubtful Collectability and other receivables	Uncollectible Loans and other receivables
Current Period: 30 June 2019			
Gross Amounts Before Provisions	3.011	3.718	13.039
Rescheduled Loans	3.011	3.718	13.039
Prior Period: 31 December 2018			
Gross Amounts Before Provisions	-	1.685	5.115
Rescheduled Loans	-	1.685	5.115

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

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability and Other Receivables	Loans with Doubtful Collectability and Other Receivables	Uncollectible Loans and Other Receivables
Balance at the end of Prior Period: 31 December 2018	45.696	68.682	767.536
Additions (+)	164.320	1.475	201
Transfers from Other Categories of Non-Performing Loans (+)	-	90.316	60.836
Transfers to Other Categories of Non-Performing Loans (-)	90.316	60.836	-
Collections (-)	14.284	7.723	36.835
Write-offs (-)	-	-	-
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balance at the End of the Period: 30 June 2019	105.416	91.914	791.738
Special Provisions (-)	47.251	64.064	612.185
Net Balance in Balance Sheet	58.165	27.850	179.553

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

As of 30 June 2019, there are no non-performing loans granted as foreign currency loans (31 December 2018: None).

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

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability and Other Receivables	Loans with Doubtful Collectability and Other Receivables	Uncollectible Loan and Other Receivables
Current Period (Net): 30 June 2019	58.165	27.850	179.553
Loans granted to corporate entities and real persons (Gross)	105.416	91.914	791.738
Provisions Amount (-)	47.251	64.064	612.185
Loans granted to corporate entities and real persons (Net)	58.165	27.850	179.553
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans (Net)	-	-	-
Prior Period (Net): 31 December 2018	36.856	37.573	116.710
Loans granted to corporate entities and real persons (Gross)	45.696	68.682	767.536
Provisions Amount (-)	8.840	31.109	650.826
Loans granted to corporate entities and real persons (Net)	36.856	37.573	116.710
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provisions Amount (-)	-	-	-
	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period (Net)	3.773	9	2
Interest Accruals and Rediscount with Valuation Differences	9.226	9	2
Provision Amount (-)	5.453	-	-

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

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.

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

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

f. Explanations on financial assets measured at amortized cost:

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

As of 30 June 2019, the Group has no financial assets measured at amortized cost given as collateral/blocked and subject to repurchase agreements (31 December 2018: None).

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

As of 30 June 2019, the Group has no government debt securities measured at amortized (31 December 2018: None).

3. Information on financial assets measured at amortized cost:

As of 30 June 2019, the Group has no financial assets measured at amortized cost (31 December 2018: None).

4. The movement of financial assets measured at amortized cost:

As of 30 June 2019, the Group has no movements of financial assets measured at amortized cost within the period (31 December 2018: None).

g. Information on associates (Net):

The Group has no associates as of 30 June 2019 and 31 December 2018.

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

h. Information on subsidiaries (Net):

1. Information on subsidiaries which are not included in the scope of consolidation:

a) Unconsolidated subsidiaries:

Title	Address (City/Country)	The Parent Bank's share percentage If different voting percentage (%)	Bank's risk group share percentage (%)
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

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
2.523	590	-	-	-	1.932	1.843	-

(*) Prepared with the non-reviewed financial statements as of 30 June 2019.

(**) The prior period balances represents the non-reviewed amounts as of 30 June 2018.

2. Information on the consolidated subsidiaries:

The Parent Bank, 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 new merged company to HSBC Yatırım Menkul Değerler A.Ş. was agreed and the merger of these two companies was accomplished as of 11 January 2002.

a) Consolidated subsidiaries:

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

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
118.749	77.205	1.379	8.222	1.610	14.220	14.501	-

(*) Prepared with the not limited reviewed financial statements as of 30 June 2019.

(**) Prepared with the not limited reviewed financial statements as of 30 June 2018.

(***) The above mentioned financial information has been prepared with the consolidated information of HSBC Yatırım.

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

3. Movement schedule of the consolidated subsidiaries:

	Current Period 30 June 2019
Balance at the Beginning of the Period	34.753
Movements During the Period	-
Purchases	-
Bonus Shares and Contributions to Capital	-
Dividends From Current Year Profit	-
Sales/Liquidation	-
Revaluation Increase	-
Provision Decrease of Valuation	-
Balance at the End of the Period	34.753
Capital Commitments	-
Share Percentage at the End of the Period (%)	99,87

	Prior Period 31 December 2018
Balance at the Beginning of the Period	34.753
Movements During the Period	-
Purchases	-
Bonus Shares and Contributions to Capital	-
Dividends From Current Year Profit	-
Sales/Liquidation	-
Revaluation Increase	-
Provision Decrease of Valuation	-
Balance at the End of the Period	34.753
Capital Commitments	-
Share Percentage at the End of the Period (%)	99,87

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

	Current Period 30 June 2019
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	34.753
	Prior Period 31 December 2018
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	34.753

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

5. Subsidiaries quoted on a stock exchange:

The Group has no subsidiaries quoted on a stock exchange as of 30 June 2019 and 31 December 2018.

i. Information on jointly controlled entities:

1. The Group has no jointly controlled entities as of 30 June 2019 and 31 December 2018.
2. As of 30 June 2019 and 31 December 2018, the accounting method is not determined since the Group has no jointly controlled entities.

j. Information on financial lease receivables (Net):

As of 30 June 2019 and 31 December 2018, the Group has no finance leases.

k. Information on hedging derivative financial assets:

The Group has no hedging of derivative financial assets as of 30 June 2019 and 31 December 2018.

l. Explanations on property and equipment:

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

m. Information on intangible assets:

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

n. Information on the investment properties:

As of 30 June 2019 and 31 December 2018, the Group has no investment properties.

o. Explanations on deferred tax asset:

As of 30 June 2019, foreign currency deferred tax asset of the Group is TL 232.374 (31 December 2018: TL 139.325). The temporary differences subject to deferred tax calculation mainly arise from the provisions for credit deductible from taxation, provisions for restructuring, differences between book value and tax value of fixed assets and financial assets and liabilities and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank, are netted-off and accounted. As of 30 June 2019, The Bank’s information regarding deferred tax have been explained in Note XX of Section Three.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

As of 30 June 2019, assets held for sale of the Group is TL 1.703 (31 December 2018: TL 1.369).

r. Information on other assets:

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

	Current Period 30 June 2019
Miscellaneous Receivables (*)(**)	618.724
Prepaid Expenses	82.207
Debited Suspense Accounts	42.616
Other Rediscount Income (***)	23.833
Other Assets	6.577
Total	773.957

(*) Includes BIST and derivative securities.

(**) As of 30 June 2019 amount of TL 5.377 provision provided for Miscellaneous Receivables with adoption of TFRS 9.

(***) Includes dividend payments and other income accruals.

	Prior Period 31 December 2018
Miscellaneous Receivables (*)	498.100
Prepaid Expenses	39.932
Debited Suspense Accounts	77.122
Other Rediscount Income	28.654
Other Assets	7.113
Total	650.921

(*) Includes BIST and derivative securities.

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

As of 30 June 2019 and 31 December 2018, 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 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 June 2019:

	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	284.507	-	642.768	2.465.963	292.122	71.692	153.740	-	3.910.792
Foreign Currency Deposits	3.799.153	-	4.511.663	7.658.212	900.642	76.140	109.864	-	17.055.674
Residents in Turkey	3.371.280	-	4.342.489	7.142.970	812.093	54.007	54.943	-	15.777.782
Residents Abroad	427.873	-	169.174	515.242	88.549	22.133	54.921	-	1.277.892
Public Sector Deposits	17.167	-	-	-	-	-	-	-	17.167
Commercial Deposits	341.638	-	2.390.096	416.492	4.352	58.391	123.517	-	3.334.486
Other Institutions Deposits	5.964	-	65	2	-	-	-	-	6.031
Precious Metal Deposit	304.982	-	4.958	134.944	2.646	5.273	-	-	452.803
Bank Deposits	99.425	-	93.656	-	-	-	-	-	193.081
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	46.151	-	-	-	-	-	46.151
Foreign Banks	99.425	-	47.505	-	-	-	-	-	146.930
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	4.852.836	-	7.643.206	10.675.613	1.199.762	211.496	387.121	-	24.970.034

1(ii). Prior Period - 31 December 2018:

	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	287.253	-	788.211	2.627.955	1.228.322	214.741	129.880	-	5.276.362
Foreign Currency Deposits	2.367.443	-	3.959.373	7.929.278	689.730	264.653	91.188	-	15.301.665
Residents in Turkey	2.042.331	-	3.837.536	7.402.054	588.283	224.949	40.674	-	14.135.827
Residents Abroad	325.112	-	121.837	527.224	101.447	39.704	50.514	-	1.165.838
Public Sector Deposits	2.416	-	-	-	-	-	-	-	2.416
Commercial Deposits	512.428	-	1.356.320	69.652	26.709	24	81.790	-	2.046.923
Other Institutions Deposits	4.237	-	189	2	-	-	-	-	4.428
Precious Metal Deposit	235.468	-	1.424	106.370	1.702	4.238	-	-	349.202
Bank Deposits	132.885	-	1.744.608	-	-	-	-	-	1.877.493
The CBRT	-	-	1.698.541	-	-	-	-	-	1.698.541
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	132.885	-	46.067	-	-	-	-	-	178.952
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.542.130	-	7.850.125	10.733.257	1.946.463	483.656	302.858	-	24.858.489

2. Information on saving deposits insurance:

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

	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Current Period 30 June 2019	Current Period 30 June 2019
Saving Deposits	1.802.339	2.108.453
Foreign Currency Saving Deposits	2.394.946	11.747.281
Other Deposits in the Form of Saving Deposits	8.983	90.274
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-
Total	4.206.268	13.946.008

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	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Prior Period	Prior Period
	31 December 2018	31 December 2018
Saving Deposits	2.093.383	3.182.979
Foreign Currency Saving Deposits	1.983.620	9.517.816
Other Deposits in the Form of Saving Deposits	7.119	59.056
Foreign Branches’ Deposits under Foreign Authorities’ Insurance Coverage	-	-
Off-Shore Banking Regions’ Deposits under Foreign Authorities’ Insurance Coverage	-	-
Total	4.084.122	12.759.851

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

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

	Current Period 30 June 2019
Foreign Branches’ Deposits and other accounts	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-
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 wardship	28.214
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	-
	Prior Period 31 December 2018
Foreign Branches’ Deposits and other accounts	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-
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 wardship	14.407
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	-

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

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 30 June 2019	
	TL	FC
Forward Transactions	-	144.830
Swap Transactions	445.379	340.676
Future Transactions	-	-
Options	-	808.959
Other	-	-
Total	445.379	1.294.465
	Prior Period 31 December 2018	
	TL	FC
Forward Transactions	556	161.147
Swap Transactions	25.365	507.812
Future Transactions	-	-
Options	-	246.214
Other	-	-
Total	25.921	915.173

c. Information on funds provided under repurchase agreements:

As of 30 June 2019, the Group has amounting TL 400.756 funds provided under repurchase agreements (31 December 2018: None).

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 30 June 2019	
	TL	FC
Borrowings from the CBRT	-	-
Domestic Bank and Institutions	-	-
Foreign Banks and Institutions and Funds	674.247	28.629
Total	674.247	28.629

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	Prior Period 31 December 2018	
	TL	FC
Borrowings from the CBRT	-	-
Domestic Bank and Institutions	-	-
Foreign Banks and Institutions and Funds	1.200.041	37.960
Total	1.200.041	37.960

2. Information on the maturity structure of funds borrowed:

	Current Period 30 June 2019	
	TL	FC
Short-Term	-	-
Medium and Long-Term	674.247	28.629
Total	674.247	28.629

	Prior Period 31 December 2018	
	TL	FC
Short-Term	-	37.960
Medium and Long-Term	1.200.041	-
Total	1.200.041	37.960

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

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

e. Information on foreign other liabilities:

Other foreign liabilities of the Group under “Other Liabilities” do not exceed 10% of the total liabilities.

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f. Information on financial leasing agreements:

1. Explanations on finance lease payables

With the “IFRS 16 Leases” standard valid from 1 January 2019, the difference between operating leases and finance leases has been eliminated and the lease transactions have been expressed under the “Lease Payables” as liability by lessees.

	Current Period 30 June 2019
Less than 1 year	6.337
Between 1- 4 years	18.546
More than 4 years	114.610
Total	139.493

The Group has no finance lease payables as of 31 December 2018.

g. Information on derivative financial liabilities for hedging purposes:

As of 30 June 2019, the Group has no derivative financial liabilities for hedging purposes (31 December 2018: None).

h. Information on provisions:

1. Information on general provisions:

	Current Period 30 June 2019
Provisions for off-balance sheet commitments(*)	15.880
	Prior Period 31 December 2018
General Provisions (*)	404.760
Provisions for First Group Loans and Receivables	189.721
Provisions for Second Group Loans and Receivables	68.462
Provisions for Non-Cash Loans	40.759
Other	105.818

(*) Before IFRS 9, the expected credit loss for stage 1 and 2 cash and non-cash loans and other financial assets is classified “General Provision” and credit loss for stage 3 non-cash loans is classified “Other Provisions” under liabilities. In accordance with IFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the “Other Provisions” column in the liabilities. With IFRS 9 transaction expected loss for cash loans and other financial assets are classified under assets.

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2. Information on employee benefit provisions:

As of 30 June 2019, the Bank has employee termination benefit provision amounting to TL 42.969 (31 December 2018: TL 56.629), and unused vacation provision amounting to TL 12.452 (31 December 2018: TL 8.952).

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 6.017,60 (full TL) (31 December 2018: TL 5.434,42 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Bank determined by using certain actuarial assumptions. TAS 19 requires actuarial valuation methods to be used in order to calculate Group’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 Group is calculated from the ceiling amount valid from 1 January 2019, TL 6.017,60 (full TL) (31 December 2018: TL 5.434,42 (full TL)).

	Current Period 30 June 2019
As of January 1	56.629
Service Cost	2.170
Interest Cost	3.931
Actuarial Loss / (Gain)	(14.317)
Paid in Current Period	(5.444)
Total	42.969

	Prior Period 31 December 2018
As of January 1	57.539
Service Cost	8.675
Interest Cost	5.805
Actuarial Loss / (Gain)	(3.124)
Paid in Current Period	(12.266)
Total	56.629

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

As of 30 June 2019, the bank has no provisions related to foreign currency difference on the principles of foreign currency indexed loans (31 December 2018: None).

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

As of 30 June 2019, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.761 (31 December 2018: TL 4.343).

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5. Information on restructuring provisions:

As of 30 June 2019, provision for restructuring is amounting to TL 38.263 (31 December 2018: TL 49.459).

6. Information on other provisions:

6 (i). Information on free provisions for possible risks:

As of 30 June 2019, the Group has no free provisions for possible risks (31 December 2018: None).

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

	Current Period 30 June 2019
Provision for Lawsuits	32.669
Provision for Accumulated Credit Card Bonus	4.019
Return Provision of Case File Expenses	833
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.761
Other Provisions (*)	52.340
Total	91.622

(*) Other provisions amounting TL 15.880 with TFRS 9 stage 1 and stage 2 non-cash loans provision for expected losses and includes other provisions within TAS 37.

	Prior Period 31 December 2018
Provision For Lawsuits	32.467
Provision for Accumulated Credit Card Bonus	4.623
Return Provision of Case File Expenses	1.284
Specific Provision for Non-Cash Loans that are Non-Funded And Non-Transformed into Cash	4.343
Other Provisions (*)	40.151
Total	82.868

(*) Includes other provisions within TAS 37.

i. Explanations on tax liability:

1. Explanations on current tax liability:

The corporate tax provisions calculation of the Group is explained in Note XX of Section Three.

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1(i). Information on taxes payable:

	Current Period 30 June 2019
Taxation on Marketable Securities	28.198
Banking Insurance Transaction Tax (BITT)	17.869
Corporate Taxes Payable	18.114
Capital Gains Tax on Property	616
Value Added Tax Payable	487
Foreign Exchange Transaction Tax	1.496
Other (*)	7.536
Total	74.316

(*) As of 30 June 2019, other taxes payable amount consists of payroll tax amounting to TL 6.268, stamp tax amounting to TL 219, other taxes amounting to TL 887, and self-employed income tax amounting to TL 162.

	Prior Period 31 December 2018
Taxation on Marketable Securities	19.282
Banking Insurance Transaction Tax (BITT)	17.024
Corporate Taxes Payable	1.841
Value Added Tax Payable	348
Capital Gains Tax on Property	1.095
Foreign Exchange Transaction Tax	-
Other (*)	9.253
Total	48.843

(*) As of 31 December 2018, other taxes payable amount consists of payroll tax amounting to TL 7.907, stamp tax amounting to TL 203 and other taxes amounting to TL 964, and self-employed income tax amounting to TL 179.

1(ii). Information on premium payables:

	Current Period 30 June 2019
Social Security Premiums – Employee	4.742
Social Security Premiums – Employer	3.416
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	332
Unemployment Insurance – Employer	673
Other	-
Total	9.163

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	Prior Period 31 December 2018
Social Security Premiums – Employee	3.673
Social Security Premiums – Employer	4.342
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	300
Unemployment Insurance – Employer	610
Other	-
Total	8.925

2. Information on deferred tax liability:

Information on the Group’s deferred tax liability as of 30 June 2019 is explained in Note XX of Section Three.

j. Information on liabilities regarding assets held for sale and discontinued operations:

As of 30 June 2019 and 31 December 2018, the Group has no liabilities regarding assets held for sale and discontinued operations.

k. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

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

l. Information on shareholder’s equity:

1. Presentation of paid-in capital:

	Current Period 30 June 2019
Common Stock Provision	652.290
Preferred Stock Provision	-
	Prior Period 31 December 2018
Common Stock Provision	652.290
Preferred Stock Provision	-

Amount of paid-in capital of The Parent Bank is presented in nominal amount. As of 30 June 2019 capital reserve due to adjustment of the paid-in capital for inflation amounts to TL 272.693 has been classified under the other capital reserve sub-account (31 December 2018: Other capital reserve is amounting to TL 272.693).

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

Registered share capital system is not applied.

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

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 changes in the accounting standards.

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

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

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8. Information on valuation differences of marketable securities:

	Current Period 30 June 2019	
	TL	FC
Associates, Subsidiaries and Entities under Common Control	-	-
Valuation Differences	-	-
Foreign Exchange Rate Differences	-	-
Financial assets measured at fair value through other comprehensive income	(37.551)	-
Valuation Differences	(37.551)	-
Foreign Exchange Rate Differences	-	-
Total	(37.551)	-
	Prior Period 31 December 2018	
	TL	FC
Associates, Subsidiaries and Entities under Common Control	-	-
Valuation Differences	-	-
Foreign Exchange Rate Differences	-	-
Financial assets measured at fair value through other comprehensive income	(46.092)	-
Valuation Differences	(46.092)	-
Foreign Exchange Rate Differences	-	-
Total	(46.092)	-

9. Information on revaluation value increase fund:

As of 30 June 2019 and 31 December 2018, the Group has no revaluation value increase fund.

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

With the decision taken at The Ordinary General Assembly meeting held on 26 March 2019, the Parent Bank has no capital increase during the current period. Within the framework of the resolution of the General Assembly, it was decided to transfer the profit of 2018 to extraordinary reserves.

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

a. Explanations on off-balance sheet commitments:

1. Loans Type and amount of irrevocable commitments:

	Current Period 30 June 2019
Asset Purchase and Sale Commitments	12.814.559
Commitments for Credit Card Limits	3.219.311
Commitments for Cheques	22.953
Loan Granting Commitments	781.517
Short Sale Commitments	-
Commitments for Credit Cards and Banking Services Promotions	13.243
Tax and Fund Liabilities from Export Commitments	2.286
Other Irrevocable Commitments	539.196
Total	17.393.065

	Prior Period 31 December 2018
Asset Purchase and Sale Commitments	3.155.182
Commitments for Credit Card Limits	3.398.789
Commitments for Cheques	21.519
Loan Granting Commitments	408.147
Short Sale Commitments	-
Commitments for Credit Cards and Banking Services Promotions	12.995
Tax and Fund Liabilities from Export Commitments	2.286
Other Irrevocable Commitments	565.650
Total	7.564.568

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

The Bank has no probable losses arising from off-balance sheet items. Obligations arising from the off-balance sheet are disclosed in “Off-balance sheet commitments”.

2 (i). Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period 30 June 2019
Letters of Guarantee	2.555.067
Letters of Credit	1.025.091
Bank Acceptances	311.501
Other Guarantees	382.559
Total	4.274.218

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

	Prior Period 31 December 2018
Letters of Guarantee	1.843.634
Letters of Credit	1.256.433
Bank Acceptances	203.137
Other Guarantees	354.958
Total	3.658.162

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

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

3. Information on the non-cash loans:

3 (i). Total amount of non-cash loans:

	Current Period 30 June 2019
Non- Cash Loans Given for Cash Loan Risks Non- Cash Loans	-
With Original Maturity of One Year or Less	-
With Original Maturity of More Than One Year	-
Other Non-Cash Loans	4.274.218
Total	4.274.218

	Prior Period 31 December 2018
Non- Cash Loans Given for Cash Loan Risks Non- Cash Loans	-
With Original Maturity of One Year or Less	-
With Original Maturity of More Than One Year	-
Other Non-Cash Loans	3.658.162
Total	3.658.162

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

3 (ii). Information on sectoral risk concentration within the 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 exposures on credit derivatives:

None.

d. Explanations on contingent liabilities and assets:

Contingent assets are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 30 June 2019, there is no contingent assets 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 June 2019, the total amount of these lawsuits filed against the Group is TL 32.669 (31 December 2018: TL 32.467). A total provision of TL 833 (31 December 2018: TL 1.284) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favor, with TL 33.502 (31 December 2018: TL 33.751) 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 customers.

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IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

1. Information on interest income received from loans:

	Current Period 30 June 2019	
	TL	FC
Interest Income on Loans (*)		
Short-Term Loans	842.844	38.577
Medium and Long-Term Loans	195.687	160.590
Interest on Loans Under Follow-Up	11.959	-
Resource Utilization Support Fund	-	-
Total	1.050.490	199.167

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

	Prior Period 30 June 2018	
	TL	FC
Interest Income on Loans (*)		
Short-Term Loans	566.466	8.989
Medium and Long-Term Loans	210.773	115.065
Interest on Loans Under Follow-Up	12.061	-
Resource Utilization Support Fund	-	-
Total	789.300	124.054

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

2. Information on interest income received from banks:

	Current Period 30 June 2019	
	TL	FC
From the CBRT (*)	58.531	-
From Domestic Banks	54.047	8
From Foreign Banks	2.067	6.442
Headquarters and Branches Abroad	-	-
Total	114.645	6.450

(*) The interest income on Required Reserve amounting TL 28.009 is not included into interest income on Banks.

	Prior Period 30 June 2018	
	TL	FC
From the CBRT (*)	272.069	201
From Domestic Banks	64.131	586
From Foreign Banks	128	674
Headquarters and Branches Abroad	-	-
Total	336.328	1.461

(*) The interest income on Required Reserve amounting TL 15.337 is not included into interest income on Banks.

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IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued)		
3. Information on interest income on marketable securities:		
	Current Period 30 June 2019	
	TL	FC
Financial Assets at Fair Value Through Profit or Loss	25.577	2.967
Financial Assets at Fair Value Through Other Comprehensive Income	33.542	-
Financial Assets Measured at Amortized Cost	-	-
Total	59.119	2.967
	Prior Period 30 June 2018	
	TL	FC
Financial Assets at Fair Value Through Profit or Loss	3.600	490
Financial Assets at Fair Value Through Other Comprehensive Income	48.872	-
Financial Assets Measured at Amortized Cost	-	-
Total	52.472	490
4. Information on interest income received from investments in associates and subsidiaries:		
As of 30 June 2019 and 30 June 2018, the Parent Bank has no interest income received from investments in associates and subsidiaries.		
b. Information on interest expense:		
1. Information on interest expense on funds borrowed (*):		
	Current Period 30 June 2019	
	TL	FC
Banks		
The CBRT	-	-
Domestic Banks	-	-
Foreign Banks	97.335	49.824
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	97.335	49.824

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

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(Continued)**

	Prior Period 30 June 2018	
	TL	FC
Banks		
The CBRT	-	-
Domestic Banks	21	1
Foreign Banks	46.918	73.713
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
Total	46.939	73.714

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

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

None.

2. Information on interest expense paid on securities issued:

The Group has no interest expense paid on securities as of 30 June 2019 and 30 June 2018.

4. Maturity structure of the interest expense on deposits:

Current Period: 30 June 2019	Time Deposit							Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 More Than Year	1 year Cumulative Deposit	1 year Cumulative Deposit	
Turkish Lira								
Interbank deposits	-	11.026	-	-	-	-	-	11.026
Saving deposits	-	69.444	240.588	45.167	18.727	15.544	-	389.470
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	211.491	38.562	1.761	3.866	12.441	-	268.121
Other deposits	-	190	1.282	-	-	-	-	1.472
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	-	292.151	280.432	46.928	22.593	27.985	-	670.089
Foreign Currency								
Foreign currency deposits	-	45.063	80.554	8.832	2.577	1.385	-	138.411
Interbank deposits	-	6.184	-	-	-	-	-	6.184
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	7	600	10	31	-	-	648
Total	-	51.254	81.154	8.842	2.608	1.385	-	145.243
Grand Total	-	343.405	361.586	55.770	25.201	29.370	-	815.332

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(Continued)**

Prior Period: 30 June 2018	Time Deposit							Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 More Than Year	1 year	Cumulative Deposit	
Turkish Lira								
Interbank deposits	-	6.217	-	-	-	-	-	6.217
Saving deposits	-	43.624	143.446	5.846	1.748	803	-	195.467
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	38.193	1.425	694	1	32	-	40.345
Other deposits	-	14	-	-	-	-	-	14
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Total	-	88.048	144.871	6.540	1.749	835	-	242.043
Foreign Currency								
Foreign currency deposits	-	20.030	66.022	7.490	2.689	415	-	96.646
Interbank deposits	-	33.152	-	-	-	-	-	33.152
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	231	19	226	3	10	-	-	489
Total	231	53.201	66.248	7.493	2.699	415	-	130.287
Grand Total	231	141.249	211.119	14.033	4.448	1.250	-	372.330

4. Information on interest given on repurchase agreements:

As of 30 June 2019, the Group has interest given on repurchase agreements amounting to TL 8.823 (30 June 2018: TL 6.755).

5. Information on finance lease expenses:

As of 30 June 2019, the Group has lease expenses amounting to TL 11.864 (30 June 2018: None).

6. Information on interest given on factoring payables:

The Group has no interest given on factoring payables during the period ended on 30 June 2019 and 30 June 2018.

c. Explanations on dividend income:

As of 30 June 2019, the share of the Group in the dividend distribution of its subsidiaries is TL 6.414 (30 June 2018: None).

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IV. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED INCOME STATEMENT (Continued)	
d. Information on trading income/loss (Net):	
1. Trading income/loss (Net):	
	Current Period 30 June 2019
Profit	26.255.911
Capital Market Transactions Income	101.947
Gain on Derivative Financial Transactions	4.092.752
Foreign Exchange Gains	22.061.212
Loss (-)	26.263.625
Capital Market Transactions Loss	83.855
Loss on Derivative Financial Transactions	4.055.122
Foreign Exchange Loss	22.124.648
Total (Net)	(7.714)
	Prior Period 30 June 2018
Profit	49.474.819
Capital Market Transactions Income	34.065
Gain on Derivative Financial Transactions	7.376.198
Foreign Exchange Gains	42.064.556
Loss (-)	49.832.853
Capital Market Transactions Loss	25.369
Loss on Derivative Financial Transactions	6.223.498
Foreign Exchange Loss	43.583.986
Total (Net)	(358.034)

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

e. Information on other operating income:

	Current Period 30 June 2019
Reverse of Previous Years Expenses (*)	120.855
Gain on Sale of Assets	696
Provision for Telecommunication Expense	1.600
Other Income	17.493
Total	140.644

(*) Consists of collections or cancellations made from amounts transferred to expense accounts through special provisions in the previous years.

	Prior Period 30 June 2018
Reverse of Previous Years Expenses (*)	153.151
Gain on Sale of Non-Performing Loan	2.253
Gain on Sale of Assets	643
Provision for Telecommunication Expense	13.431
Total	169.478

(*) Consists of collections or cancellations made from amounts transferred to expense accounts through special provisions in the previous years.

f. Impairment provisions related to loans and other receivables of the Bank:

	Current Period 30 June 2019
Expected Credit Loss	163.008
12 Months Expected Credit Loss (Stage 1)	9.364
Significant Increase in Credit Risk (Stage 2)	79.325
Non-performing Loans (Stage 3)	74.319
Marketable Securities Impairment Expense	2.096
Financial Assets at Fair Value Through Profit or Loss	2.096
Financial Assets at Fair Value Through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities	-
Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Jointly Controlled Entities (Joint Ventures)	-
Other	-
Total	165.104

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

	Prior Period 30 June 2018
Specific Provisions for Loans and Other Receivables	143.689
III. Group Loans and Receivables	16.109
IV. Group Loans and Receivables	26.094
V. Group Loans and Receivables	101.486
General Provision Expenses	-
Provision Expense for Possible Risks	1.621
Marketable Securities Impairment Expense	1.594
Financial Assets at Fair Value Through Profit or Loss	27
Financial Assets at Fair Value Through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Jointly Controlled Entities (Joint Ventures)	-
Total	145.310

g. Information related to other operating expenses:

	Current Period 30 June 2019
Reserve for Employee Termination Benefits (*)	-
Bank Social Aid Provision Fund Deficit Provision	-
Impairment Expenses of Property and Equipment	-
Depreciation Expenses of Property and Equipment	28.231
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	11.742
Impairment Expenses of Equity participants for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Sale	-
Depreciation Expenses on Assets Held for Sale	19
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	112.446
Leasing Expenses on TFRS 16 Exceptions	5.324
Maintenance Licensing Expenses	24.890
Maintenance Expenses	10.469
Communication Expenses	7.379
Advertisement Expenses	21.083
Other Expenses	43.301
Loss on Sales of Assets	950
Tax, Duties, Charges and Funds Expenses	48.988
Saving Deposit Insurance Fund Expenses	15.031
Other	135.141
Total	352.548

(*) “Reserve for Employee Termination Benefits” is disclosed in “Personnel Expenses” in the income statement.

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(Continued)**

g. Information related to other operating expenses (Continued)

	Prior Period 30 June 2018
Personnel Expenses (*)	222.683
Reserve for Employee Termination Benefits (**)	1.798
Bank Social Aid Provision Fund Deficit Provision	-
Impairment Expenses of Property and Equipment	-
Depreciation Expenses of Property and Equipment	11.360
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	9.646
Impairment Expenses of Equity participants for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Sale	-
Depreciation Expenses on Assets Held for Sale	21
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	140.033
Operational Lease Expenses	37.208
Maintenance Licensing Expenses	12.658
Advertisement Expenses	22.227
Communication Expenses	9.050
Maintenance Expenses	9.293
Other Expenses	49.597
Loss on Sales of Assets	777
Tax, Duties, Charges and Funds Expenses	15.639
Saving Deposit Insurance Fund Expenses	15.046
Other	93.438
Total	510.441

(*) “Personnel Expenses” disclosed in “Information related to other operating expenses” and is presented separately, and not presented in “Other Operating Expense” in the income statement.

(**) “Reserve for Employee Termination Benefits” is disclosed in “Personnel Expenses” in the income statement.

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

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

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

As of 30 June 2019, the Group has corporate tax provision expense amounting to TL 70.807 (30 June 2018: TL 14.889 expense) and deferred tax expense of TL 12.407 (30 June 2018: TL 36.101 expense).

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

There are no matters to be disclosed regarding operating profit/loss after tax.

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

k. Explanation on net profit and loss for the period:

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

Net interest income, amounting to TL 780.326 (30 June 2018: TL 849.924), net wage and commission income amounting to TL 232.930 (30 June 2018: TL 207.087) have an important role among the income items in the accounting period ending on 30 June 2019. 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 interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

2. The effect on the current period profit/loss of the changes in estimations related to financial statements made by the 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 commissions received” in the income statement:

	Current Period 30 June 2019
Credit Card Transactions	135.228
Insurance Commissions	18.901
Commissions Received from Banking Transactions	6.572
Fund Platform	16.004
Other Fee and Commissions	44.760
Total	221.465
	Prior Period 30 June 2018
Credit Card Transactions	109.211
Insurance Commissions	29.269
Commissions Received from Banking Transactions	19.762
Fund Platform	16.647
Other Fee and Commissions	38.392
Total	213.281

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

**a. Information on the current year adjustments made in accordance with the requirements of
the accounting standard on financial instruments:**

**1. Decreases/increases after the revaluation of financial assets at fair value through other
comprehensive income:**

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 financial investments at fair value through other comprehensive income:

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

2. Information on cash flow hedges:

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

c. Information on dividend distribution:

None.

d. Information on issuance of common stock:

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

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

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

f. Offsetting prior period’s losses:

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

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VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

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

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

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

d. Information on cash and cash equivalents:

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

e. Additional information:

None.

VII. EXPLANATIONS AND NOTES RELATED TO 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 June 2019

Risk Group of the Group’s	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Opening Balance	-	-	15.268	633.491	-	-
Closing Balance	-	-	5.508	517.425	-	-
Interest and Commission Income	-	-	2.067	869	-	-

Prior Period - 31 December 2018:

Risk Group of the Group’s	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Parent 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	-	-	5.338	560.551	-	-
Closing Balance	-	-	15.268	633.491	-	-
Interest and Commission Income (*)	-	-	1.154	1.013	-	-

(*) The prior period balances present amounts of 30 June 2018.

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

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

Risk Group of the Group’s	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period 30 June 2019	Current Period 30 June 2019	Current Period 30 June 2019
Deposit			
Opening Balance	19.867	92.407	13.244
Closing Balance	2.189	99.279	18.499
Interest expense on deposits	-	-	381

Risk Group of the Group’s	Subsidiaries, Associates and Jointly Controlled Entities(Joint Ventures)	Direct or Indirect Shareholders of the Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period 31 December 2018	Prior Period 31 December 2018	Prior Period 31 December 2018
Deposit			
Opening Balance	1.437	57.602	11.837
Closing Balance	5.510	92.407	13.244
Interest expense on deposits (*)	-	-	183

(*) The prior period balances present amounts of 30 June 2018.

3. Information on forward transactions, option agreements and similar transactions between the Bank’s risk groups:

Risk Group of the Group’s	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period 30 June 2019	Current Period 30 June 2019	Current Period 30 June 2019
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	18.861.471	-
Closing Balance	-	35.736.901	-
Total Profit/Loss	-	40.927	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

Risk Group of the Group’s	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period 31 December 2018	Prior Period 31 December 2018	Prior Period 31 December 2018
The Fair Value Differences Through Profit and Loss			
Opening Balance	-	60.853.334	-
Closing Balance	-	18.861.471	-
Total Profit/Loss (*)	-	1.024.153	-
Transactions for Hedging Purposes			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss (*)	-	-	-

(*) The prior period balances present amounts of 30 June 2018.

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

As of 30 June 2019, payment is made to the Board of Directors and top executives of the Group amounting to TL 27.560 (30 June 2018: TL 12.375).

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

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

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

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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SECTION SIX

EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

The consolidated financial statements for the period ended 30 June 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor’s audit report dated 20 August 2019 is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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SECTION SEVEN

INTERIM ACTIVITY REPORT

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

GENERAL INFORMATION

1. Summary information about HSBC Bank A.Ş.

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

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

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

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

Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

2. Capital and shareholding structure

The Bank has made no changes in their capital and shareholding structure as well as its shareholders who directly or indirectly; individually or as a group has an influence over the Bank's audit and management, as of the accounting period ended on 30 June 2019. HSBC Middle East Holdings B.V. has a shareholding rate of 89,99% and HSBC Bank Middle East Limited has 10,01% shareholding rate of the Bank's shares. HSBC Bank A.Ş.'s Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of 30 June 2019, HSBC Bank A.Ş.'s paid-in capital is TL 652.290 Thousand and its capital structure is as follows:

Shareholder's Name and Surname/Title	Number of shares	Share amount (TL)
Publicly offered	-	-
Non-publicly offered	65.229.000.000	652.290.000
HSBC Middle East Holdings B.V.	58.699.577.100	586.995.771
HSBC Bank Middle East Limited	6.529.422.600	65.294.226
HSBC Group Nominees UK Limited	100	1
HSBC Latin America Holdings (UK) Limited	100	1
HSBC Overseas Holdings (UK) Limited	100	1
Total	65.229.000.000	652.290.000

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RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)Information on
Branches and Personnel**

As of 30 June 2019, the Parent Bank has 80 branches dispersed throughout the country (31 December 2018: 82 branches). As of 30 June 2019, the number of employees of the Bank is 2.136 (31 December 2018: 2.258).

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

HSBC Bank A.Ş.'s Articles of Association had no changes in 1 January – 30 June 2019 period.

5. Chairman and Members of the Board of Directors

HSBC Bank A.Ş. Board of Directors as of 30 June 2019:

Name and Surname	Title
David Gordon Eldon	Chairman
Hamit Aydoğan	Chairman Deputy
Süleyman Selim Kervancı	Member, CEO
Robert Adrian Underwood	Member
Mehmet Gani Sönmez	Member
Edward Michael Flanders	Member
Neslihan Erkazancı	Member
Georges El Hedery	Member

6. Audit Committee

HSBC Bank A.Ş. Audit Committee was selected from members of the Board of Directors and consists of one chairman and one member who do not have operational duties.

Name and Surname	Title
Robert Adrian Underwood	Head of the Audit Committee
Neslihan Erkazancı	Member of the Audit Committee

Audit Committee, on behalf of HSBC Bank A.Ş. Board of Directors, 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, and maintaining and coordinating the consolidation of internal audit activities of partnerships subject to consolidation as per the regulations with regard to the Banking Law.

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7. Executive Management

HSBC Bank A.Ş. Executive Management as of 30 June 2019:

Name and Surname	Title	Area of Responsibility
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Anthony Wright	Executive Vice President	Credit and Risk
Yiğit Arslancık	Executive Vice President	Corporate and Investment Banking
Ayşe Yenel	Executive Vice President	Retail Banking
Burçin Ozan	Executive Vice President	Finance
Rüçhan Çandar	Deputy CEO	Technology and Services
Funda Temoçin Aydoğan	Executive Vice President	Human Resources
İbrahim Namık Aksel	Executive Vice President	Treasury and Capital Markets
Tolga Tüzüner	Head Legal Advisor	Legal

8. HSBC Bank's Financial Power Rating

According to Moody's Credit Rating Institution's evaluations, HSBC Bank A.Ş.'s rating as of 30 June 2019 is as follows:

Definitions	Rating
Baseline Credit Assessment	caa2
Outlook	Negative
Long-term foreign currency deposit rating	B3
Long-term TL deposit rating	B3
Short-term foreign currency deposit rating	NP
Short-term TL deposit rating	NP
Long-term national scale TL deposit	Baa2.tr

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9. Summary of consolidated financial information for the period

HSBC Bank A.Ş. introduce customers to international market opportunities, continue to create value for them and support them in expanding our customers' business using our global network, knowledge and expertise. The synergy Bank have created with our customers and grow together with our customers and to Turkey's economy has continued to add value to the banking sector.

According to consolidated financial statements, for the period ending on 30 June 2019, HSBC Bank A.Ş.'s total assets realised at 33 billion TL increased by 1% compared to the end of 2018. Loans, which form nearly 48% of the assets, seem to be around 15.8 billion TL gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around 25 billion TL and formed 76% of liabilities. The balance sheet's consolidated items groups' period-end balances on the relevant dates are shown below.

ASSETS (Thousand TL)	30.06.2019
Financial Assets (Net)	15.807.554
Other Financial Assets Measured at Amortized Cost	15.825.332
Non-Current Assets or Disposal Groups "Held for Sale" and "Held from Discontinued Operations" (Net)	1.703
Equity Investments	220
Property and Equipment (Net)	246.728
Intangible Assets (Net)	149.552
Investment Property (Net)	-
Current Tax Asset	-
Deferred Tax Asset	232.374
Other Assets	773.957
Total Assets	33.037.420
LIABILITIES (Thousand TL)	30.06.2019
Deposits	24.970.034
Funds Borrowed	702.876
Money markets	400.756
Securities Issued (Net)	-
Funds	-
Financial Liabilities at Fair Value Through Profit or Loss	-
Derivative Financial Liabilities	1.739.844
Factoring Liabilities	-
Lease Liabilities	139.493
Provisions	185.306
Current Tax Liability	83.479
Deferred Tax Liability	-
Liabilities Related to Non-Current Assets "Held For Sale" and "Held from Discontinued Operations"(Net)	-
Subordinated Debt	1.220.671
Other Liabilities	693.413
Shareholders' Equity	2.901.548
Total Liabilities	33.037.420

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ASSETS (Thousand TL)	31.12.2018
Financial Assets (Net)	16.095.397
Other Financial Assets Measured at Amortized Cost	15.698.572
Non-Current Assets or Disposal Groups "Held for Sale" and "Held from Discontinued Operations" (Net)	1.369
Equity Investments	220
Property and Equipment (Net)	101.877
Intangible Assets (Net)	150.954
Investment Property (Net)	-
Current Tax Asset	10.103
Deferred Tax Asset	139.325
Other Assets	650.921
Total Assets	32.848.738
LIABILITIES (Thousand TL)	31.12.2018
Deposits	24.858.489
Funds Borrowed	1.238.001
Money markets	-
Securities Issued (Net)	-
Funds	-
Financial Liabilities at Fair Value Through Profit or Loss	-
Derivative Financial Liabilities	941.094
Factoring Liabilities	-
Lease Liabilities	-
Provisions	602.668
Current Tax Liability	57.768
Deferred Tax Liability	-
Liabilities Related to Non-Current Assets "Held For Sale" and "Held from Discontinued Operations"(Net)	-
Subordinated Debt	1.545.585
Other Liabilities	618.276
Shareholders' Equity	2.986.857
Total Liabilities	32.848.738

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Information related to HSBC Bank's unconsolidated income statement for 30 June 2019 and 30 June 2018 were shown below with the changes.

STATEMENT OF INCOME (Thousand TL)	30.06.2019
Net Interest Income	780.326
Other Non-Interest Income	372.274
Total Operating Income/Expense	1.152.600
Other Operating Expenses (-)	603.517
Provision for Loan Losses (-)	172.372
Net Operating Income/(Loss)	376.711
Tax Provision (-)	83.214
NET PROFIT/LOSS FOR THE PERIOD	293.497
STATEMENT OF INCOME (Thousand TL)	30.06.2018
Net Interest Income	849.924
Other Non-Interest Income	18.531
Total Operating Income/Expense	868.455
Other Operating Expenses (-)	510.441
Provision for Loan Losses and Other Receivables (-)	145.310
Net Operating Income/Loss	212.704
Tax Provision (-)	50.990
NET PROFIT/LOSS FOR THE PERIOD	161.714

(*) "Reserve for Employee Termination Benefits" is disclosed in "Personnel Expenses" in the income statement as prior period financial statements.

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Message from David Eldon, Chairman

The first half of 2019 witnessed economic slowdown globally. Substantial challenges are clouding the global economic outlook in both the near and long term. Risks are firmly on the downside with heightened policy uncertainty, re-escalation of trade tensions between major economies accompanied by deceleration in global investment and a decline in business confidence. Amid low global inflation and a deterioration of the growth outlook, our forecast for global GDP growth in 2019 remains unchanged at 2,4% whilst our 2020 forecast has been lowered to 2,2%. This reflects a direct impact from the trade tariffs implemented in May and June, with related uncertainties hitting investment spending.

In the Eurozone, growth revived in the first quarter of the year after slowing sharply in the second half of 2018. A solid domestic economy drove the acceleration with household spending picking up, boosted by a falling unemployment rate and wages growing at the fastest rate in a decade. Data for the second quarter suggests that domestic demand and services sectors are well supported by thriving labor markets, whereas industrial sectors suffer from external headwinds. Wages are growing healthily as unemployment continues to fall. A tougher external environment is seen causing growth to slow later this year, weighing on exports and investment. Meanwhile rising protectionism, slower global growth, renewed market turmoil and Brexit plague the outlook. We maintain our 2019 growth forecast of 1,0% and revise down our forecast for 2020 by 0,2% to 1,1%. Emerging Markets GDP growth forecasts for 2019 and 2020 have been revised to 4,1% and 4,4% respectively.

Turkey's economy grew by 1,3% quarter-on-quarter in the first quarter of 2019 but contracted by 2,6% annually. Recently released data shows that the rebalancing trend in the economy has continued. Economic activity is displaying a slow pace due to tight financial conditions. In addition weaker public expenditure support and slower loan growth than in the first quarter, as well as rising financial volatility and risk premiums, all weigh on domestic demand. Accordingly, developments in domestic demand conditions support disinflation. Headline Inflation improved to 15,72% in June 2019 from 18,71% in May 2019. Net exports are likely to provide a strong boost to annual growth and the current account balance is expected to maintain its improving trend. The second quarter witnessed the culmination of the local elections along with the unveiling of the recent 5 year development plan by the government which will be a roadmap to improve the country's position in the international arena and enhance its welfare.

HSBC Bank A.Ş. delivered a much improved performance in the second quarter, demonstrating the underlying health of the business and the potential of our long-term strategy. We continue to make progress on our 2019 strategic priorities of customer focus, employee wellbeing and digital. Despite challenging market conditions and a weaker global economic outlook, we are committed to the targets we announced in June and will continue to create value for our customers, shareholders and employees.

I would like to thank our Clients, our colleagues, the Management Team, and the Board for their trust, support and continuing commitment to HSBC.

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Message from Süleyman Selim Kervancı , CEO

The global economic slowdown continues to persist into the first half of 2019 as the growth outlook for many countries remain challenging. Risks remain firmly on the downside, including the possibility of escalating trade tensions, sharper-than-expected slowdowns in major economies and subdued recovery in investment growth in emerging market and developing economies seeming to dampen potential growth prospects. Turkey's economy grew by 1,3% quarter on quarter in the first quarter of 2019 and recent data point to a moderate economic recovery driven by private and public expenditure as well as net exports. Economic activity displays a slow pace due to tight financial conditions.

The swift implementation of the Government's policies to maintain coordination between monetary and fiscal policy to achieve price stability and financial stability continued in the second quarter. Inflation has been on the decline since the beginning of 2019. Headline Inflation improved to 15,72% in June 2019 from 18,71% in May 2019. Turkey's current account balance posted USD151mn surplus in May 2019, improving from USD6.17bn deficit in May 2018. Turkey's total exports in second quarter of 2019 was USD41.5bn and total imports was USD49.5bn as compared to USD42.3bn exports and USD49.0bn imports in the first quarter of 2019. The manufacturing sector PMI rebounded from 45,3 at the end of May to 47,9 at the end of June. The recently introduced 5 year development plan of the Government is intended to bring about structural reforms and serve as a guiding point for improving Turkey's economy.

Looking at the banking sector, net profits totaled to TRY24.8bn (USD4.29bn) in June 2019 recording a 14.6% decline y/y compared to June 2018. The total assets of Turkey's banking sector amounted to around TRY4.2trn (USD734.1bn) as of June 2019, up by 9,5% y/y. Loans increased by 6,1% y/y to TRY2.54trn (USD440.1bn), whilst deposits at the country's lenders climbed 11,1% over the same period, totaling to TRY2.39trn (USD414bn). The ratio of non-performing loans to total cash loans was 4,36% in End-June2019, surging by 0,49% as compared to 3,87% in End-December 2018.

In 2Q19, our operating income went up by 33,8% from 2Q18 to TRY1.139mn, while total operating expenses increased by 18,8% from 2Q18, to TRY585mn. HSBC Turkey recorded a profit before tax of TRY382mn as of 2Q19. Our cost/income ratio was 51,3%. The loan portfolio increased by 6,6% over YE18, to TRY17.4 bn, and deposits increased 0,6% over YE18, to TRY25.0bn. NPL ratio was 5,7% at end-June 2019, and the capital adequacy ratio was 18,97%, above the Banking Regulation and Supervision Agency target minimum ratio of 12%.

HSBC Turkey started the year on a strong footing as demonstrated by our financial results for the first half of 2019. We remain focused on executing our three strategic priorities of Customer, Employee Wellbeing and Digital. To this end, we attach great importance to improving our customer services, investing in employee wellbeing and improving our digital capabilities. The second quarter was highlighted with the re-launch of our refreshed Premier Proposition with new and well differentiated features following key insights from customers. With the refreshed Premier bringing together an extensive range of banking and wealth solutions together with comprehensive international services and a revamped HSBC Premier Miles Credit Card program, we support our customers embrace their full lives. We work together and alongside our customers to provide them the best services suited to their needs. We have been chosen as the top Brand in customer experience in the 'The Achievement in Customer Excellence (ACE) Awards 2018' in Q1.

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We have maintained our position in Q2 as well and ranked 1st among 10 private banks with the highest score. This score is a solid proof of our commitment to our customer focus.

Our employees are our prime assets and we strive towards building the healthiest human system where they can be at their best every single day. We also continue to make progress in the digital arena by simplifying our processes and enabling digital mindset of our employees and customers to provide simpler, faster and safe banking services.

Amidst the challenging operating environment, we continue to support the Turkish economy on the back of our faith in Turkey's future, our sound financials and highly experienced team. I would like to thank my management team and all of our colleagues for their commitment and dedication, as well as our customers and shareholders for giving us their confidence and trust.

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ACTIVITIES IN THE INTERIM PERIOD (Continued)**

10. Additional Information on Period Between 01.01.2019-30.06.2019

None.

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