

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS  
AND REVIEW REPORT AT 30 SEPTEMBER 2017,  
SEE NOTE I OF SECTION THREE**

**HSBC BANK A.Ş.**

**PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH REVIEW REPORT AT 30 SEPTEMBER 2017**



## AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

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

### *Introduction*

We have reviewed the unconsolidated balance sheet of HSBC Bank A.Ş. ("the Bank") at 30 September 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Accounting and Reporting Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### *Scope of Review*

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



### *Conclusion*

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of HSBC Bank A.Ş. at 30 September 2017 and of the results of its operations and its cash flows for the nine-month-period then ended in all aspects in accordance with the BRSA Accounting and 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 unconsolidated financial statements and disclosures in all material respects.

### *Additional Paragraph for Convenience Translation*

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read "Zeynep Uras", is written over the printed name and title.

Zeynep Uras, SMMM  
Partner

Istanbul, 7 November 2017



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

UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S.  
AS OF AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2017

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

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

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

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

David Gordon Eldon  
Chairman

*David Eldon*

Süleyman Selim Kervancı  
General  
Manager

Bürçin Özcan  
Financial Reporting  
Assistant General  
Manager

Yerlijozan Kıl  
Group Head

Ian Simon Jenkins  
Head of  
Audit Committee

Lütfiye Yeşim Uçtum  
Member of  
Audit Committee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Zeynep Terzioğlu/Senior Manager  
Tel : (0212) 376 4308  
Fax : (0212) 376 4912

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

	<b>Page</b>	
<b>SECTION ONE</b>		
<b>General Information About the Bank</b>		
I.	Bank's foundation date, start-up status, history regarding the changes in this status	1
II.	Explanation about the Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the Group that the Bank belongs to	1
III.	Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, if available, shares of the Bank they possess, and their areas of responsibilities	2
IV.	Information on individuals or institutions owning the preferred shares of the Bank	3
V.	Summary information on the Bank's activities and services	3
VI.	Other matters	3
VII.	Differences between the Communiqué 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	3
VIII.	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	3
<b>SECTION TWO</b>		
<b>Unconsolidated Financial Statements of the Bank</b>		
I.	Balance sheet	5
II.	Statement of off-balance sheet commitments	7
III.	Statements of income	8
IV.	Statement of profit and loss items recognised under shareholders' equity	9
V.	Statement of changes in shareholders' equity	10
VI.	Statements of cash flows	12
<b>SECTION THREE</b>		
<b>Explanations on Accounting Policies</b>		
I.	Explanations on basis of presentation	13
II.	Explanations on strategy of using financial instruments and explanations on foreign currency transactions	14
III.	Explanations on investments in associates and subsidiaries	14
IV.	Explanations on forward transactions, options and derivative instruments	15
V.	Explanations on interest income and expenses	15
VI.	Explanations on fee and commission income and expenses	15
VII.	Explanations on financial assets	16
VIII.	Explanations on impairment of financial assets	17
IX.	Explanations on offsetting financial instruments	17
X.	Explanations on sales and repurchase agreements and securities' lending transactions	17
XI.	Explanations on property and equipment held for sale purpose and related to discontinued operations and explanations on liabilities related with these assets	18
XII.	Explanations on goodwill and other intangible assets	18
XIII.	Explanations on property and equipment	18
XIV.	Explanations on leasing transactions	19
XV.	Explanations on provisions and contingent liabilities	19
XVI.	Explanations on contingent assets	19
XVII.	Explanations on obligations related to employee rights	19
XVIII.	Explanations on taxation	20
XIX.	Explanations on borrowings	21
XX.	Explanations on issuance of share certificates	21
XXI.	Explanations on avalized drafts and acceptances	21
XXII.	Explanations on government incentives	21
XXIII.	Explanations on operating segments	22
XXIV.	Profit reserves and profit distribution	22
XXV.	Earnings/loss per share	22
XXVI.	Cash and cash equivalents	22
XXVII.	Related parties	22
XXVIII.	Reclassifications	22
XXIX.	Other matters	22
<b>SECTION FOUR</b>		
<b>Explanations Related to Financial Structure and Risk Management</b>		
I.	Explanations related to components of shareholders' equity	23
II.	Explanations on credit risk	29
III.	Explanations on counter cyclical capital buffer ratio calculation	29
IV.	Explanations on currency risk	29
V.	Explanations on interest rate risk	32
VI.	Explanations on position risk of equity securities in Banking book	34
VII.	Explanations on liquidity risk	34
VIII.	Explanations on leverage ratio	41
IX.	Explanations on risk management	41
X.	Explanations on the presentation of financial assets and liabilities at fair values	42
XI.	Explanations on the activities carried out on behalf and account of other people	42
XII.	Explanations on operating segments	43
<b>SECTION FIVE</b>		
<b>Explanations and Notes Related to Unconsolidated Financial Statements</b>		
I.	Explanations and notes related to assets	45
II.	Explanations and notes related to liabilities	57
III.	Explanations and notes related to off-balance sheet accounts	65
IV.	Explanations and notes related to income statement	67
V.	Explanations and notes related to changes in shareholders' equity	74
VI.	Explanations and notes related to statement of cash flows	75
VII.	Explanations and notes related to Bank's risk group	75
VIII.	Explanations and notes related to domestic, foreign, off-shore branches or affiliates and foreign representatives of the Bank	76
IX.	Explanations and notes related to subsequent events	76
<b>SECTION SIX</b>		
<b>Explanations on Independent Auditor's Review Report</b>		
I.	Explanations on independent auditor's review report	77
II.	Explanations and notes prepared by the independent auditor	77
<b>SECTION SEVEN</b>		
<b>Interim Activity Report</b>		
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	78

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**

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

---

**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

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

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (“The Bank”) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224. On 20 September 2001 the ‘Share Sales Agreement’ regarding the sale of all shares of Demirbank T.A.Ş. which was under in Saving Deposit Insurance Fund was signed by the Bank’s main shareholder HSBC Bank Plc. According to this agreement the required procedures shall be completed by 31 October 2001 and all shares of the Demirbank T.A.Ş., together with a part of the assets and liabilities shall be transferred to HSBC Bank Plc. on 31 October 2001. In 14 December 2001, Demirbank T.A.Ş. and the Bank merged under the name of HSBC Bank Anonim Şirketi and continued its activities. On 19 September 2002, the Bank has signed the share sales agreement with Benkar Tüketici Finansmanı ve Kart Hizmetleri A.Ş. (“Benkar”) and acquired all shares of Benkar. On 25 December 2002 according to both Benkar’s and the Bank’s board of directors’ minute all assets and liabilities of Benkar is transferred to the Bank. 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 BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THAT THE BANK BELONGS TO**

As of 30 September 2017, the Bank’s nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. The share capital of the Bank has been fully paid and registered. 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. As of 30 September 2017 there has been no changes regarding the Bank’s capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**

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

**III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, IF AVAILABLE, SHARES OF THE BANK THEY POSSESS AND THEIR AREAS OF RESPONSIBILITIES**

<b><u>Title</u></b>	<b><u>Name</u></b>	<b><u>Responsibility</u></b>	<b><u>Education</u></b>
<b>Chairman of the Board:</b>	David Gordon ELDON	Chairman	Undergraduate
<b>Deputy Chairman of the Board:</b>	Hamit AYDOĞAN	Deputy Chairman	Undergraduate
<b>Board of Directors:</b>	Süleyman Selim KERVANCI	Member and CEO	Graduate
	Paul HAGEN	Member	Undergraduate
	David Anthony HARTNETT	Member	Undergraduate
	Mehmet Gani SÖNMEZ	Member	Undergraduate
	Ian Simon JENKINS	Member	Graduate
	Edward Michael FLANDERS	Member	Undergraduate
	Lütfiye Yeşim UÇTUM	Member	Undergraduate
	James Alasdair EMMETT	Member	Graduate
<b>CEO:</b>	Süleyman Selim KERVANCI	CEO	Graduate
<b>Head of Internal Audit:</b>	Umut PASİN	Head of Internal Audit	Undergraduate
<b>Deputy CEO:</b>	Necdet Murat ŞARSEL	Credit and Risk	Graduate
	Rüçhan ÇANDAR	Operations Service and Technology	Graduate
<b>Executive Vice Presidents:</b>	Necdet Murat ŞARSEL	Credit and Risk	Graduate
	Hulusi HOROZOĞLU	Corporate Investment Banking	Undergraduate
	Ayşe YENEL	Retail Banking	Undergraduate
	Ali Batu KARAALİ	Treasury and Capital Markets	Graduate
	Burçin OZAN	Finance	Undergraduate
	Rüçhan ÇANDAR	Technology and Services	Graduate
<b>Audit Committee:</b>	Ian Simon JENKINS	Head of the Audit Committee	Graduate
	Lütfiye Yeşim UÇTUM	Member of the Audit Committee	Undergraduate
	Paul HAGEN	Member of the Audit Committee	Undergraduate

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

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

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

Name/Commercial Title	Share Amounts (Nominal) (*)	Share Percentages	Paid-in capital (Nominal) (*)	Unpaid Portion
HSBC 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 BANK'S ACTIVITIES AND SERVICES**

The Bank's activities in accordance with related regulations and the section three of the articles of association of the Bank summarized are as follows;

- To accept all kinds of deposits both in Turkish Lira and in foreign currency,
- To provide funds in Turkish Lira and foreign exchange, for own use or as an intermediary,
- To launch cash and non-cash loans to all kind of sectors,
- To perform discount and purchase activities,
- To perform order transmissions brokerage, transactions brokerage, portfolios brokerage, restricted custody and general custody activities in accordance with Capital Markets regulations,
- To invest in both local or foreign companies as founder partner or shareholder, to perform management and auditing process to purchase equities, bonds and other securities,
- To perform factoring and forfeiting activities,
- To establish social and cultural facilities or to help or participate facilities in the existing.

In addition to regular banking operations in accordance to the articles of association, the Bank also provides insurance intermediary services as an agency of Axa Sigorta, Zurich Sigorta, Allianz Hayat ve Emeklilik, Allianz Sigorta, Gulf Sigorta, Euler Hermes, and Anadolu Hayat Emeklilik through its branches and investment intermediary services as an agency of HSBC Yatırım.

As of 30 September 2017, the Bank has 85 branches dispersed throughout the country and 4 branches operating abroad (31 December 2016: 86 branches and 4 branches operating abroad).

As of 30 September 2017, the number of employees of the Bank is 2.722 (31 December 2016: 3.188).

**VI. OTHER MATTERS**

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

**VII. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT INSTITUTIONS SUBJECT TO FULL CONSOLIDATION METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS**

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, the non-financial associates, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. 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. HSBC İnternet ve Telekomunikasyon Hizmetleri A.Ş.'s Liquidation process has been finalized on 16 August 2017.

**VIII. 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  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

---

**SECTION TWO**

**UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2017 AND 31 DECEMBER 2016  
(STATEMENT OF FINANCIAL POSITION)**

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

**SECTION TWO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	Note (Section Five I)	Reviewed Current Period (30.09.2017)			Audited Prior Period (31.12.2016)		
		TL	FC	Total	TL	FC	Total
<b>ASSETS</b>							
<b>I. CASH BALANCES WITH THE CENTRAL BANK</b>	(I-a)	2.469.038	2.158.749	4.627.787	179.737	1.589.183	1.768.920
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)</b>	(I-b)	393.004	473.976	866.980	641.948	337.824	979.772
2.1 Trading Financial Assets		393.004	473.976	866.980	641.948	337.824	979.772
2.1.1 Government Debt Securities		55.883	25.888	81.771	39.006	24.551	63.557
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		334.543	448.088	782.631	594.535	313.273	907.808
2.1.4 Other Marketable Securities		2.578	-	2.578	8.407	-	8.407
2.2 Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	(I-c)	105.533	979.060	1.084.593	42.060	877.827	919.887
<b>IV. MONEY MARKETS</b>		-	1.258.071	1.258.071	-	4.372.998	4.372.998
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	1.258.071	1.258.071	-	4.372.998	4.372.998
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	(I-d)	1.340.662	4.065	1.344.727	1.260.694	2.435	1.263.129
5.1 Share Certificates		4.225	4.065	8.290	4.225	2.435	6.660
5.2 Government Debt Securities		1.336.437	-	1.336.437	1.256.469	-	1.256.469
5.3 Other Marketable Securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	(I-e)	10.263.034	4.305.043	14.568.077	10.181.534	3.973.211	14.154.745
6.1 Loans		9.948.459	4.305.008	14.253.467	9.732.005	3.973.112	13.705.117
6.1.1 Loans to Bank's Risk Group	(VII)	-	4.110	4.110	-	7.404	7.404
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		9.948.459	4.300.898	14.249.357	9.732.005	3.965.708	13.697.713
6.2 Non Performing Loans		891.875	79	891.954	1.430.741	165	1.430.906
6.3 Specific Provisions (-)		577.300	44	577.344	981.212	66	981.278
<b>VII. FACTORING RECEIVABLES</b>		225.649	-	225.649	476.308	-	476.308
<b>VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)</b>	(I-f)	-	-	-	-	-	-
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(I-g)	-	-	-	-	-	-
9.1 Associates Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>	(I-h)	35.023	-	35.023	35.023	-	35.023
10.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753	34.753	-	34.753
10.2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
<b>XI. JOINT VENTURES (Net)</b>	(I-i)	-	-	-	-	-	-
11.1 Accounted Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
<b>XII. FINANCIAL LEASE RECEIVABLES (Net)</b>	(I-j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
<b>XIII. HEDGING DERIVATIVE FINANCIAL ASSETS</b>	(I-k)	-	-	-	69.454	-	69.454
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	69.454	-	69.454
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV. PROPERTY AND EQUIPMENT (Net)</b>	(I-l)	71.610	-	71.610	81.598	-	81.598
<b>XV. INTANGIBLE ASSETS (Net)</b>	(I-m)	146.168	-	146.168	127.701	-	127.701
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		146.168	-	146.168	127.701	-	127.701
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	(I-n)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		15.022	-	15.022	3.743	-	3.743
17.1 Current Tax Asset		15.022	-	15.022	3.743	-	3.743
17.2 Deferred Tax Asset	(I-o)	-	-	-	-	-	-
<b>XVIII. ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(I-p)	1.729	-	1.729	2.742	-	2.742
18.1 Held for sale Purposes		1.729	-	1.729	2.742	-	2.742
18.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(I-r)	96.756	283.406	380.162	96.885	16.511	113.396
<b>TOTAL ASSETS</b>		15.163.228	9.462.370	24.625.598	13.199.427	11.169.989	24.369.416

The accompanying explanations and notes set out on pages 13 to 77 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2017 AND 31 DECEMBER 2016  
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five I)	Reviewed Current Period (30.09.2017)			Audited Prior Period (31.12.2016)		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES</b>							
<b>I. DEPOSITS</b>	(II-a)	5.055.220	11.649.009	16.704.229	6.009.798	9.140.222	15.150.020
1.1 Deposits of Bank’s risk group	(VII)	210.891	9.805	220.696	159.308	7.914	167.222
1.2 Other		4.844.329	11.639.204	16.483.533	5.850.490	9.132.308	14.982.798
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	(II-b)	97.410	565.120	662.530	24.587	642.671	667.258
<b>III. BORROWINGS</b>	(II-d)	791.683	1.622.650	2.414.333	212.631	2.128.378	2.341.009
<b>IV. MONEY MARKETS</b>		-	-	-	531.938	-	531.938
4.1 Funds from Interbank Money Market		-	-	-	-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements	(II-c)	-	-	-	531.938	-	531.938
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower Funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		246.253	199.727	445.980	338.026	4.337	342.363
<b>VIII. OTHER LIABILITIES</b>	(II-e)	184.344	14.467	198.811	236.802	20.605	257.407
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. FINANCIAL LEASE PAYABLES (Net)</b>	(II-f)	-	-	-	-	-	-
10.1 Financial Lease Payables		-	-	-	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	(II-g)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(II-h)	736.443	895	737.338	774.225	900	775.125
12.1 General Loan Loss Provisions		483.226	-	483.226	481.729	-	481.729
12.2 Restructuring Provisions		93.823	-	93.823	127.051	-	127.051
12.3 Reserve for Employee Rights		63.157	-	63.157	54.752	-	54.752
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		96.237	895	97.132	110.693	900	111.593
<b>XIII. TAX LIABILITY</b>	(II-i)	39.060	-	39.060	43.317	-	43.317
13.1 Current Tax Liability		39.060	-	39.060	43.317	-	43.317
13.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(II-j)	-	-	-	-	-	-
14.1 Held for Sale Purpose		-	-	-	-	-	-
14.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(II-k)	-	1.020.449	1.020.449	-	1.983.954	1.983.954
<b>XVI. SHAREHOLDERS’ EQUITY</b>	(II-l)	2.401.819	1.049	2.402.868	2.277.025	-	2.277.025
16.1 Paid-in Capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		269.999	1.049	271.048	274.811	-	274.811
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(8.011)	1.049	(6.962)	(2.317)	-	(2.317)
16.2.4 Property and Equipment Revaluation Differences		-	-	-	-	-	-
16.2.5 Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6 Revaluation Differences of Investment Property		-	-	-	-	-	-
16.2.7 Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-	-	-	-	-
16.2.8 Hedging Funds (Effective Portion)		5.317	-	5.317	4.435	-	4.435
16.2.9 Value Increase in Property and Equipment Held for Sale and Related to Discontinued Operations		-	-	-	-	-	-
16.2.10 Other Capital Reserves		272.693	-	272.693	272.693	-	272.693
16.3 Profit Reserves		1.344.650	-	1.344.650	1.706.522	-	1.706.522
16.3.1 Legal Reserves		184.141	-	184.141	183.104	-	183.104
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		1.191.037	-	1.191.037	1.548.672	-	1.548.672
16.3.4 Other Profit Reserves		(30.528)	-	(30.528)	(25.254)	-	(25.254)
16.4 Profit or Loss		134.880	-	134.880	(356.598)	-	(356.598)
16.4.1 Prior Years’ Profit/(Loss)		-	-	-	-	-	-
16.4.2 Current Year Profit/(Loss)		134.880	-	134.880	(356.598)	-	(356.598)
<b>TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY</b>		<b>9.552.232</b>	<b>15.073.366</b>	<b>24.625.598</b>	<b>10.448.349</b>	<b>13.921.067</b>	<b>24.369.416</b>

The accompanying explanations and notes set out on pages 13 to 77 form an integral part of these financial statements

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS  
AS OF 30 SEPTEMBER 2017 AND 31 DECEMBER 2016**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed Current Period (30.09.2017)			Audited Prior Period (31.12.2016)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>39.700.174</b>	<b>78.501.188</b>	<b>118.201.362</b>	<b>21.037.034</b>	<b>49.809.290</b>	<b>70.846.324</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(III-a-2,3)	<b>847.210</b>	<b>1.725.699</b>	<b>2.572.909</b>	<b>828.722</b>	<b>1.821.849</b>	<b>2.650.571</b>
1.1 Letters of Guarantee		843.410	565.167	1.408.577	828.632	939.267	1.767.899
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		15.890	2.232	18.122	9.806	1.973	11.779
1.1.3 Other Letters of Guarantee		827.520	562.935	1.390.455	818.826	937.294	1.756.120
1.2 Bank Acceptances		-	108.744	108.744	-	58.547	58.547
1.2.1 Import Letter of Acceptance		-	108.744	108.744	-	58.547	58.547
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		-	715.101	715.101	-	476.016	476.016
1.3.1 Documentary Letters of Credit		-	659.735	659.735	-	410.417	410.417
1.3.2 Other Letters of Credit		-	55.366	55.366	-	65.599	65.599
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		3.800	336.687	340.487	90	348.019	348.109
1.9 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(III-a-1)	<b>7.202.653</b>	<b>3.573.908</b>	<b>10.776.561</b>	<b>7.089.287</b>	<b>4.634.919</b>	<b>11.724.206</b>
2.1 Irrevocable Commitments		7.202.653	3.573.908	10.776.561	7.089.287	4.634.919	11.724.206
2.1.1 Asset Purchase and Sale Commitments		1.358.925	3.573.591	4.932.516	497.440	4.634.513	5.131.953
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		484.080	-	484.080	481.649	-	481.649
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheque Payments		506.222	-	506.222	489.020	-	489.020
2.1.8 Tax and Fund Liabilities from Export Commitments		3.998	-	3.998	4.962	-	4.962
2.1.9 Commitments for Credit Card Limits		4.223.909	-	4.223.909	4.797.889	-	4.797.889
2.1.10 Commitments for Credit Cards and Banking Services Promotions		16.371	-	16.371	17.609	-	17.609
2.1.11 Receivables From Short Sale Commitments of Marketable Securities		-	-	-	26.939	49	26.988
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	26.939	49	26.988
2.1.13 Other Irrevocable Commitments		609.148	317	609.465	746.840	308	747.148
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(III-b)	<b>31.650.311</b>	<b>73.201.581</b>	<b>104.851.892</b>	<b>13.119.025</b>	<b>43.352.522</b>	<b>56.471.547</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	242.340	317.363	559.703
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	242.340	317.363	559.703
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Transactions		31.650.311	73.201.581	104.851.892	12.876.685	43.035.159	55.911.844
3.2.1 Forward Foreign Currency Buy/Sell Transactions		4.075.409	5.286.391	9.361.800	2.600.298	4.018.683	6.618.981
3.2.1.1 Forward Foreign Currency Transactions-Buy		2.444.158	2.266.393	4.710.551	1.635.326	1.643.719	3.279.045
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.631.251	3.019.998	4.651.249	964.972	2.374.964	3.339.936
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		22.240.618	57.740.278	79.980.896	6.774.122	33.254.460	40.028.582
3.2.2.1 Foreign Currency Swap-Buy		8.615.271	22.461.729	31.077.000	2.918.562	7.517.014	10.435.576
3.2.2.2 Foreign Currency Swap-Sell		13.625.347	17.435.695	31.061.042	3.855.560	6.285.948	10.141.508
3.2.2.3 Interest Rate Swap-Buy		-	8.921.427	8.921.427	-	9.725.749	9.725.749
3.2.2.4 Interest Rate Swap-Sell		-	8.921.427	8.921.427	-	9.725.749	9.725.749
3.2.3 Foreign Currency, Interest rate and Securities Options		5.334.284	10.106.305	15.440.589	3.502.265	5.727.374	9.229.639
3.2.3.1 Foreign Currency Options-Buy		2.666.455	5.053.840	7.720.295	1.749.825	2.865.145	4.614.970
3.2.3.2 Foreign Currency Options-Sell		2.667.829	5.052.465	7.720.294	1.752.440	2.862.229	4.614.669
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		-	68.607	68.607	-	34.642	34.642
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>22.291.582</b>	<b>52.467.658</b>	<b>74.759.240</b>	<b>27.083.657</b>	<b>63.538.727</b>	<b>90.622.384</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>7.757.362</b>	<b>1.539.209</b>	<b>9.296.571</b>	<b>7.734.946</b>	<b>1.637.076</b>	<b>9.372.022</b>
4.1 Customer Fund and Portfolio Balances		1.343.143	-	1.343.143	1.105.508	-	1.105.508
4.2 Investment Securities Held in Custody		4.085.109	1.392.796	5.477.905	4.202.009	1.472.204	5.674.213
4.3 Checks Received for Collection		727.971	39.650	767.621	1.053.137	66.521	1.119.658
4.4 Commercial Notes Received for Collection		142.243	-	142.243	134.247	-	134.247
4.5 Other Assets Received for Collection		-	8.363	8.363	-	9.613	9.613
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1.458.896	98.400	1.557.296	1.240.045	88.738	1.328.783
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>8.928.496</b>	<b>9.107.003</b>	<b>18.035.499</b>	<b>12.294.107</b>	<b>13.802.990</b>	<b>26.097.097</b>
5.1 Marketable Securities		83.978	1.064	85.042	665.475	1.328	666.803
5.2 Guarantee Notes		163.299	382.125	545.424	220.950	644.988	865.938
5.3 Commodity		240	467	707	240	7.743	7.983
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable Properties		5.076.522	3.148.420	8.224.942	6.060.167	3.197.090	9.257.257
5.6 Other Pledged Items		3.604.457	5.574.927	9.179.384	5.347.275	9.951.841	15.299.116
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>5.605.724</b>	<b>41.821.446</b>	<b>47.427.170</b>	<b>7.054.604</b>	<b>48.098.661</b>	<b>55.153.265</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>61.991.756</b>	<b>130.968.846</b>	<b>192.960.602</b>	<b>48.120.691</b>	<b>113.348.017</b>	<b>161.468.708</b>

The accompanying explanations and notes set out on pages 13 to 77 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED  
30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016**

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

III. STATEMENT OF INCOME		Reviewed				
		Current Period (01.01.2017 – 30.09.2017)	Prior Period (01.01.2016 – 30.09.2016)	Current Period (01.07.2017- 30.09.2017)	Prior Period (01.07.2016- 30.09.2016)	
	<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>				
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(IV-a)</b>	<b>1.640.115</b>	<b>1.557.672</b>	<b>609.052</b>	<b>492.833</b>
1.1	Interest on Loans	(IV-a-1)	1.170.920	1.399.870	408.130	439.879
1.2	Interest Received from Reserve Requirements		17.393	10.610	6.009	3.080
1.3	Interest Received from Banks	(IV-a-2)	234.925	8.304	141.129	2.929
1.4	Interest Received from Money Market Transactions		102.899	14.468	15.937	10.165
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	112.067	121.049	37.255	35.536
1.5.1	Trading Financial Assets		6.994	53.144	1.713	11.196
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1.5.3	Available-for-sale Financial Assets		105.073	67.905	35.542	24.340
1.5.4	Held to Maturity Investments		-	-	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		1.911	3.371	592	1.244
<b>II.</b>	<b>INTEREST EXPENSE</b>	<b>(IV-b)</b>	<b>641.732</b>	<b>827.044</b>	<b>221.005</b>	<b>242.822</b>
2.1	Interest on Deposits	(IV-b-4)	445.595	587.129	161.517	167.711
2.2	Interest on Funds Borrowed	(IV-b-1)	168.800	184.163	57.108	57.007
2.3	Interest Expense on Money Market Transaction		18.376	41.186	129	13.401
2.4	Interest on Securities Issued	(IV-b-3)	-	-	-	-
2.5	Other Interest Expense		8.961	14.566	2.251	4.703
<b>III.</b>	<b>NET INTEREST INCOME (I + II)</b>		<b>998.383</b>	<b>730.628</b>	<b>388.047</b>	<b>250.011</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>253.600</b>	<b>286.787</b>	<b>81.326</b>	<b>89.485</b>
4.1	Fees and Commissions Received		283.946	318.028	91.713	99.922
4.1.1	Non-cash Loans		15.533	16.015	4.904	5.901
4.1.2	Other		268.413	302.013	86.809	94.021
4.2	Fees and Commissions Paid		30.346	31.241	10.387	10.437
4.2.1	Non-cash Loans		604	483	210	145
4.2.2	Other		29.742	30.758	10.177	10.292
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>42.539</b>	<b>19.869</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	<b>(IV-d)</b>	<b>(363.531)</b>	<b>40.794</b>	<b>(172.453)</b>	<b>(25.221)</b>
6.1	Trading Gains/(Losses) on Securities		14.221	34.621	3.719	(5.741)
6.2	Derivative Financial Transactions Gains/(Losses)		(348.223)	19.119	(32.427)	58.971
6.3	Foreign Exchange Gains/(Losses)		(29.529)	(12.946)	(143.745)	(78.451)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(IV-e)</b>	<b>205.359</b>	<b>247.802</b>	<b>48.283</b>	<b>60.174</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.136.350</b>	<b>1.325.880</b>	<b>345.203</b>	<b>374.449</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-f)</b>	<b>284.548</b>	<b>537.432</b>	<b>65.994</b>	<b>221.101</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(IV-g)</b>	<b>714.642</b>	<b>945.302</b>	<b>235.279</b>	<b>285.896</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>137.160</b>	<b>(156.854)</b>	<b>43.930</b>	<b>(132.548)</b>
<b>XII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-	-	-
<b>XIII.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-	-	-
<b>XIV.</b>	<b>INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)</b>		<b>137.160</b>	<b>(156.854)</b>	<b>43.930</b>	<b>(132.548)</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(IV-h)</b>	<b>(2.280)</b>	<b>(5.154)</b>	<b>(2.079)</b>	<b>(1.046)</b>
16.1	Current Tax Provision	(IV-i)	(1.424)	(1.643)	(1.424)	(446)
16.2	Deferred Tax Provision		(856)	(3.511)	(655)	(600)
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(IV-j)</b>	<b>134.880</b>	<b>(162.008)</b>	<b>41.851</b>	<b>(133.594)</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
18.1	Income from Non-current Assets Held for Resale		-	-	-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
18.3	Other Income From Discontinued Operations		-	-	-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
19.1	Expenses for Non-current Assets Held for Resale		-	-	-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
19.3	Other Expenses From Discontinued Operations		-	-	-	-
<b>XX.</b>	<b>PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-	-	-
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
21.1	Current tax provision		-	-	-	-
21.2	Deferred tax provision		-	-	-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(IV-k)</b>	<b>134.880</b>	<b>(162.008)</b>	<b>41.851</b>	<b>(133.594)</b>
	Earnings/ Loss per Share (The amounts are expressed in full TL.)		0.002068	(0.002484)	0.000642	(0.002048)

The accompanying explanations and notes set out on pages 13 to 77 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS  
RECOGNISED UNDER SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED  
30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016**

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

<b>IV. STATEMENTS OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>	<b>Reviewed Current Period (30.09.2017)</b>	<b>Reviewed Prior Period (30.09.2016)</b>
<b>I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(5.806)</b>	<b>7.696</b>
<b>II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Differences)</b>	<b>1.103</b>	<b>(12.389)</b>
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. THE EFFECT OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>(6.593)</b>	<b>(5.170)</b>
<b>IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>	<b>2.259</b>	<b>1.973</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>(9.037)</b>	<b>(7.890)</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>134.880</b>	<b>(162.008)</b>
11.1 Net change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	(2.234)	35.826
11.2 Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	2.152	(182)
11.3 Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4 Other	134.962	(197.652)
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)</b>	<b>125.843</b>	<b>(169.898)</b>

The accompanying explanations and notes set out on pages 13 to 77 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

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

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																	
Reviewed 30 September 2016	Note	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
<b>I. Balances at the Beginning of the Period-31 December 2015</b>		652.290	-	-	-	181.738	-	1.881.494	251.963	(331.456)	-	16.138	-	-	7.439	-	2.659.606
<b>II. Corrections According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Balance (I+II)</b>		652.290	-	-	-	181.738	-	1.881.494	251.963	(331.456)	-	16.138	-	-	7.439	-	2.659.606
<b>Changes in the Period</b>																	
<b>IV. Increase/Decrease due to the Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	6.157	-	-	-	-	6.157
<b>VI. Hedging Transactions Funds (Effective Parts)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	(9.911)	-	(9.911)
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(9.911)	-	(9.911)
6.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Property and Equipment Revaluation Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Intangible Fixed Assets Revaluation Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Foreign Exchange Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Changes due to the Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Changes due to the Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Capital Increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Share Premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Paid in-Capital Adjustment Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVIII. Other</b>		-	-	-	-	-	-	-	(4.136)	-	-	-	-	-	-	-	(4.136)
<b>XIX. Current Year Income or Loss</b>		-	-	-	-	-	-	-	-	(162.008)	-	-	-	-	-	-	(162.008)
<b>XX. Profit Distribution</b>		-	-	-	-	1.366	-	(332.822)	-	331.456	-	-	-	-	-	-	-
20.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	1.366	-	(332.822)	-	331.456	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at the end of the period-30 September 2016 (III+IV+V+.....+XVIII+XIX+XX)</b>		652.290	-	-	-	183.104	-	1.548.672	247.827	(162.008)	-	22.295	-	-	(2.472)	-	2.489.708

The accompanying explanations and notes set out on pages 13 to 77 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																	
Reviewed 30 September 2017	Note	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Canc. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Fangible Held for Sale/Disc. Operat.	Total Equity
I. Balances at the Beginning of the Period-31 December 2016		652.290	-	-	-	183.104	-	1.548.672	247.439	(356.598)	-	(2.317)	-	-	4.435	-	2.277.025
Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(4.645)	-	-	-	-	(4.645)
IV. Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	882	-	882
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	882	-	882
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Valuation Differences due to Revaluation of Property and Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Valuation Differences due to Revaluation of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Paid in-Capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	(5.274)	-	-	-	-	-	-	-	(5.274)
XVII. Current Year Income or Loss		-	-	-	-	-	-	-	-	134.880	-	-	-	-	-	-	134.880
XVIII. Profit Distribution		-	-	-	-	1.037	-	(357.635)	-	356.598	-	-	-	-	-	-	-
18.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	1.037	-	(357.635)	-	356.598	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period-30 September 2017 (I+II+III+IV+V....+XVIII)		652.290	-	-	-	184.141	-	1.191.037	242.165	134.880	-	(6.962)	-	-	5.317	-	2.402.868

The accompanying explanations and notes set out on pages 13 to 77 form an integral part of these financial statements.



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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED 30 SEPTEMBER 2017 AND 30 SEPTEMBER 2016**

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

<b>VI. STATEMENT OF CASH FLOWS</b>	<b>Note (Section Five VI)</b>	<b>Reviewed Current Period (30.09.2017)</b>	<b>Reviewed Prior Period (30.09.2016)</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>796.729</b>	<b>701.746</b>
1.1.1 Interest Received		1.715.757	1.641.767
1.1.2 Interest Paid		(648.711)	(841.150)
1.1.3 Dividend Received		42.539	19.869
1.1.4 Fees and Commissions Received		290.466	320.541
1.1.5 Other Income		139.262	247.802
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		212.992	187.714
1.1.7 Payments to Personnel and Service Suppliers		(337.005)	(422.833)
1.1.8 Taxes Paid		(15.021)	(1.937)
1.1.9 Other		(603.550)	(450.027)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(796.339)</b>	<b>2.417.006</b>
1.2.1 Net (Increase)/Decrease in Trading Securities		(11.736)	(4.137)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3 Net (Increase)/Decrease in Banks		-	-
1.2.4 Net (Increase)/Decrease in Loans		(654.088)	4.163.848
1.2.5 Net (Increase)/Decrease in Other Assets		(243.296)	374.709
1.2.6 Net Increase/(Decrease) in Bank Deposits		2.513.574	3.030.012
1.2.7 Net Increase/(Decrease) in Other Deposits		(960.926)	(3.595.198)
1.2.8 Net Increase/(Decrease) in Funds Borrowed		(881.873)	(986.820)
1.2.9 Net Increase/(Decrease) in Matured Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(557.994)	(565.408)
<b>I. Net Cash Provided From Banking Operations</b>		<b>390</b>	<b>3.118.752</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided From Investing Activities</b>		<b>(61.283)</b>	<b>(787.306)</b>
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries (Business Partnerships)		-	-
2.2 Cash Obtained From Disposal of Investments, Associates And Subsidiaries (Business Partnerships)		-	-
2.3 Purchases of Property And Equipment		(9.463)	(4.529)
2.4 Disposals of Property And Equipment		20.465	6.593
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(1.588.752)	(1.452.601)
2.6 Cash Obtained From Sale of Investments Available-for-Sale		1.500.759	670.196
2.7 Cash Paid for Purchase of Investment Securities		-	-
2.8 Cash Obtained From Sale of Investment Securities		-	-
2.9 Other		15.708	(6.965)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided From Financing Activities</b>		<b>-</b>	<b>-</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>2.827</b>	<b>2.240</b>
<b>V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(58.066)</b>	<b>2.333.686</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>5.611.066</b>	<b>4.939.401</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>5.553.000</b>	<b>7.273.087</b>

The accompanying explanations and notes set out on pages 13 to 77 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

**a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks’ Accounting Application and Keeping Documents:**

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

The unconsolidated financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments until 31 December 2004, except for the financial assets and liabilities which are carried at fair value.

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

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments will come into force as of 1 January 2018, which have been effective as of reporting date have no impact on the accounting policies, financial position and performance of the Bank.

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

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

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

The main sources of the Bank are customer deposits and borrowings from abroad. The Bank’s liquidity structure covers the financing of all liabilities at due date. This liquidity structure of the Bank has been established by diversifying fund resources and keeping sufficient cash and cash equivalences.

The Bank applies sophisticated methods of the group in daily market risk managing and control activities. In measuring the market risk and determining limits, “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 recognised in the income statement under the account of “Foreign exchange gains or losses”, except for foreign currency non-performing loans and other foreign currency denominated non-monetary assets and liabilities.

**III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES**

The Bank has no investments in associates as of 30 September 2017. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard on Financial Instruments: Recognition and Measurement” (“TAS 39”) in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial 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 transfer, hospitality, passport, catering, housing, parking, private waiting room and transportation services in railroad, land, sea, airport passenger lounges either to its clients or all real or legal persons.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

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

In order to reduce the foreign exchange position risk the Bank conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Bank conducts interest futures and forward interest rate agreements. According to TAS 39 the transactions which are classified as hedging or trading and recognised at fair value. The fair value of derivative instruments are recorded on the market value or discounted cash flow value is taken in the account. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “Financial assets at fair value through profit or loss” in “Trading derivative financial assets” or “Hedging derivative financial assets” and if the fair value difference is negative, it is disclosed in “Trading derivative financial liabilities” or “Hedging derivative financial liabilities”. The fair value changes of the trading derivatives are recognized under “Derivative financial transactions gains/(losses)” at income statement. Until 30 June 2017, the Bank applied cash flow hedge accounting by cross currency swap transactions in order to hedge itself from the changes in the interest rates of the fixed-rate time deposits which have maturity of 1-3 month. The bank has performed strength tests for risk protection accounting in balance sheet date. While the effective portions are accounted under hedging reserves in shareholders’ equity as described in TAS 39, the ineffective portion is recognized at income statement.

If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the profit and loss accounts. As of 30 September 2017 hedge accounting is not applied.

**V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES**

Interest income and expenses are recognised on an accrual basis using the effective interest rate method. In accordance with the related regulation, realized and unrealized interest accruals of the non performing loans are reversed. The interest income related to these loans are recorded as interest income only when collected.

**VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES**

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

**b. Financial assets available for sale:**

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

**c. Loans and receivables:**

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

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

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

**d. Investment securities held-to-maturity:**

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially recognized at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognized in the income statement. As of 30 September 2017 and 31 December 2016, the Bank has no investment securities held-to-maturity.

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

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

Securities subject to repurchase agreements are classified as “Financial assets at fair value difference through profit or loss” and “Available-for-sale securities” in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. As of 30 September 2017 and 31 December 2016, funds given against securities purchased under agreements to resell (“Reverse repurchase agreements”) are accounted under “Receivables from money market - Receivables from reverse repurchase agreements” in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the effective interest rate method. The Bank has no securities lending transactions. “Transactions Related to Foreign Currency Deposits in Turkish Lira Deposits” published by the Central Bank of the Republic of Turkey as of 17 January 2017 are recorded in the balance sheet under cash assets and deposit accounts.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

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

HSBC Bank A.Ş signed the share transfer agreement regarding to the Board of directors decision dated on 23 March 2017 on selling all banking activities of Cyprus Branches of HSBC Bank A.Ş and initiated the required legal process. Non-financial assets of the branches were recognized in accordance with the TFRS 5 and financial assets were recognized in accordance with TAS 39 (Non-financial and financial assets of the branches were recognized in accordance with TFRS 5 and TAS 39, respectively.). Operations regarding to these branches are classified as ongoing activities in 30 September 2017 financial statement and consolidated under the financial statement of assets and liabilities of the branches. Summary financial information related to branches is presented under explanations and notes related to assets.

As of 30 September 2017 and 31 December 2016, the Bank has no discontinued operations property and equipment held-for-sale consist of tangible assets that were acquired due to nonperforming receivables, and are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovable and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated 1 November 2006, No. 26333 and classified as assets held for sale.

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

There is no net book value of goodwill as of 30 September 2017 (31 December 2016: None).

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

Provisions and contingent liabilities are accounted in accordance with, “Provisions, Contingent Liabilities and Contingent Assets Standard” (“TAS 37”). Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

**XVI. EXPLANATIONS ON CONTINGENT ASSETS**

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. Contingent assets are not recognised in financial statements since this may result in recognition of income that may never be realized. If an inflow of economic benefits to the Bank has become probable, then the contingent asset is disclosed in the footnotes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise for the Bank, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

**XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 2,78% (31 December 2016: 3,93%).

As of 30 September 2017, actuarial loss amounted to TL 30.528 (31 December 2016: TL 25.254 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.



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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

**XVIII. EXPLANATIONS ON TAXATION**

**a. Current Tax:**

According to the article no. 32 of “Corporate Tax Law” No. 5520 was published in the Official Gazette, No. 26205 dated 21 June 2006, the corporate tax rate is 20%. Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless 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 shares is not considered as profit distribution and thus does not incur withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the corporate tax rate of the related years. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Companies file their tax returns until the 25th day of the fourth month after the closing of the accounting year to which they relate.

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

The tax applications for foreign branches:

***Turkish Republic of Northern Cyprus (“TRNC”)***

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

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

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

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

Based on its best projections and budget and within the framework of TAS 12’s relevant procedures, the Bank has limited its deferred tax assets with its deferred tax liabilities. The Bank has not recognized deferred tax receivables amounting to TL 124.037 as assets as of 30 September 2017 (31 December 2016: TL 151.679). Aforementioned assesment will be reevaluated and reperformed on every following reporting date.

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

**c. Transfer Pricing:**

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

**XIX. EXPLANATIONS ON BORROWINGS**

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the financial statements enclosed, foreign currency borrowings are translated according to the Bank’s period end exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the financial statements. The Bank has no marketable securities issued and convertible bonds as of 30 September 2017 and 31 December 2016.

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

As of 30 September 2017 and 31 December 2016, the Bank has no issued share certificates.

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

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

**XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES**

As of 30 September 2017 and 31 December 2016, the Bank has no government incentives.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**XXIII. EXPLANATIONS ON OPERATING SEGMENTS**

Segment reporting is presented in Note XII of Section Four.

**XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION**

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

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

**XXV. EARNINGS/LOSS PER SHARE**

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

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2017</b>	<b>30 September 2016</b>
Net Earnings / (Loss) for the Period	134.880	(162.008)
Number of Shares	65.229.000.000	65.229.000.000
<b>Earnings / (Loss) per Share (*)</b>	<b>0,002068</b>	<b>(0,002484)</b>

(\*) Amounts are expressed in full TL.

**XXVI. CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow statement cash includes cash on hand, cash in transit, purchased bank cheques and demand deposits including balances with the Central Bank 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.

**XXVII. RELATED PARTIES**

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

**XXVIII. RECLASSIFICATIONS**

There are no adjustments to the prior year financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 30 September 2017 and 31 December 2016 financials.

**XXIX. OTHER MATTERS**

None.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**SECTION FOUR**

**EXPLANATIONS RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT**

**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS’ EQUITY**

Equity and Capital Adequacy Standard Ratio of the Bank is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", and “Communiqué on Equities of Banks”. As of 30 September 2017, equity of the Bank is amounting to TL 3.418.283, and the Bank’s capital adequacy ratio is 17,20%. As of 31 December 2016, equity of the Bank is amounting to TL 4.246.289 and the Banks’s capital adequacy ratio is 20,38%. Capital adequacy ratio of the Bank is higher than the minimum rate required by the related regulation.

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

	Current Period 30 September 2017	Amount as per the regulation before 01.01.2014 (*)
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	1.647.872	
Other Comprehensive Income according to TAS	-	
Profit	134.880	
Current Period Profit	134.880	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>2.435.042</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	37.490	
Leasehold Improvements on Operational Leases	9.202	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	116.934	146.168
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
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 1 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	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>163.626</b>	
<b>Total Common Equity Tier I Capital</b>	<b>2.271.416</b>	

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

	Current Period 30 September 2017	Amount as per the regulation before 01.01.2014 (*)
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	29.234	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
<b>Total Deductions from Additional Tier I Capital</b>	<b>29.234</b>	
<b>Total Additional Tier I Capital</b>		
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>2.242.182</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	979.646	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	202.469	
<b>Total Deductions from Tier II Capital</b>	<b>1.182.115</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of 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 (-)	83	
<b>Total Deductions from Tier II Capital</b>	<b>83</b>	
<b>Total Tier II Capital</b>	<b>1.182.032</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>3.424.214</b>	
<b>Amounts Deducted from Equity</b>		
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	-	
Other items to be Defined by the BRSA	5.931	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

	Current Period 30 September 2017	Amount as per the regulation before 01.01.2014 (*)
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	3.418.283	
Total Risk Weighted Assets	19.868.897	
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)	11,43	
Tier I Capital Ratio (%)	11,29	
Capital Adequacy Ratio (%)	17,20	
<b>BUFFERS</b>		
Bank-specific total CET1 Capital Ratio (%)	5,75	
Capital Conservation Buffer Ratio (%)	1,25	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,00	
Systematic-important Bank Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	5,68	
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	483.226	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	202.469	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

	Prior Period 31 December 2016	Amount as per the regulation before 01.01.2014 (*)
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	1.647.872	
Other Comprehensive Income according to TAS	-	
Profit	-	
Current Period Profit	-	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period’s Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>2.300.162</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	27.571	
Leasehold Improvements on Operational Leases	6.613	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	75.341	125.569
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
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	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>109.525</b>	
<b>Total Common Equity Tier I Capital</b>	<b>2.190.637</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	50.228	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
<b>Total Deductions from Additional Tier I Capital</b>	<b>50.228</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>2.140.409</b>	

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

	Prior Period 31 December 2016	Amount as per the regulation before 01.01.2014 (*)
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.905.804	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	210.387	
<b>Total Deductions from Tier II Capital</b>	<b>2.116.191</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of 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	
<b>Total Deductions from Tier II Capital</b>	<b>214</b>	
<b>Total Tier II Capital</b>	<b>2.115.977</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>4.256.386</b>	
<b>Amounts Deducted from Equity</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law	5	
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	146	
Other items to be Defined by the BRSA	9.946	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	



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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

	Prior Period 31 December 2016	Amount as per the regulation before 01.01.2014 (*)
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	4.246.289	
Total Risk Weighted Assets	20.832.390	
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)	10,52	
Tier I Capital Ratio (%)	10,27	
Capital Adequacy Ratio (%)	20,38	
<b>BUFFERS</b>		
Bank-specific total CET1 Capital Ratio (%)	5,13	
Capital Conservation Buffer Ratio (%)	0,63	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,00	
Systematic important Bank Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	5,39	
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	481.729	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	210.387	
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	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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

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

None.

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

The HSBC Bank's assessment process of adequacy of internal capital requirements and capital adequacy policies" was prepared in order to describe the assessment process of adequacy of internal capital requirements and capital adequacy policies, and approved by its board of directors in 27 February 2017. The ultimate aim of this internal capital requirements process is to maintain the continuity of capital adequacy under the Bank's strategies, business plan, and scope or in case of changes in developed assumption and methodology, the assessment methodology of internal capital requirements is a developing process, accordingly the future improvement areas are determined and the working plans are set.

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

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

**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 CREDIT RISK**

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

**III. EXPLANATIONS ON COUNTER CYCLICAL CAPITAL BUFFER RATIO 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”.

**IV. EXPLANATIONS ON CURRENCY RISK**

**a. Foreign exchange risk, the Bank is exposed to, related estimations, the limits set by the Board of Directors of the Bank for positions which are monitored daily:**

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

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

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

**c. Management policy for foreign currency risk:**

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

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

<b>Current Period – 30 September 2017</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	3,5624	4,2025
<b>Prior Balance Sheet Date</b>		
29 September 2017	3,5624	4,2025
28 September 2017	3,5650	4,2049
27 September 2017	3,5777	4,1952
26 September 2017	3,5502	4,1828
25 September 2017	3,5265	4,1895

<b>Prior Period - 31 December 2016</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	3,5263	3,7161
<b>Prior Balance Sheet Date</b>		
30 December 2016	3,5263	3,7161
29 December 2016	3,5313	3,6926
28 December 2016	3,5435	3,6821
27 December 2016	3,5130	3,6702
26 December 2016	3,5130	3,6702

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

As of September 2017, the Bank’s simple arithmetic average foreign exchange rate for USD is TL 3,4722 (December 2016: TL 3,5018) and exchange rate for Euro is TL 4,1391 (December 2016: TL 3,6881).

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**f. Information related to Bank’s currency risk:**

<b>Current Period – 30 September 2017</b>	<b>Euro</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	536.215	1.334.412	288.122	2.158.749
Banks	793.819	131.461	53.780	979.060
Financial Assets at Fair Value through Profit or Loss (Net)	165.743	302.751	5.482	473.976
Interbank Money Market Placements	-	1.258.071	-	1.258.071
Financial Assets Available-for-Sale (Net)	4.065	-	-	4.065
Loans (*)	2.901.253	2.388.339	5.045	5.294.637
Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)	-	-	-	-
Investments Held-to-Maturity (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	273.407	6.733	2.834	282.974
<b>Total Assets</b>	<b>4.674.502</b>	<b>5.421.767</b>	<b>355.263</b>	<b>10.451.532</b>
<b>Liabilities</b>				
Bank Deposits	-	2.254.104	-	2.254.104
Foreign Currency Deposits	2.352.181	6.149.726	892.998	9.394.905
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	22	2.641.040	2.037	2.643.099
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	399	199.185	143	199.727
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	282.003	286.759	12.769	581.531
<b>Total Liabilities</b>	<b>2.634.605</b>	<b>11.530.814</b>	<b>907.947</b>	<b>15.073.366</b>
<b>Net on Balance Sheet Position</b>	<b>2.039.897</b>	<b>(6.109.047)</b>	<b>(552.684)</b>	<b>(4.621.834)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(2.177.896)</b>	<b>6.259.165</b>	<b>547.597</b>	<b>4.628.866</b>
Financial Derivative Assets	14.731.673	23.957.809	1.515.524	40.205.006
Financial Derivative Liabilities	16.909.569	17.698.644	967.927	35.576.140
Non-cash Loans	696.110	918.571	111.018	1.725.699
<b>Prior Period - 31 December 2016</b>				
Total Assets	3.514.009	8.739.366	402.483	12.655.858
Total Liabilities	3.439.833	9.415.266	1.065.968	13.921.067
Net on-Balance Sheet Position	<b>74.176</b>	<b>(675.900)</b>	<b>(663.485)</b>	<b>(1.265.209)</b>
Net off-Balance Sheet Position	<b>(173.984)</b>	<b>488.176</b>	<b>655.357</b>	<b>969.549</b>
Financial Derivative Assets	5.470.827	7.841.499	1.067.640	14.379.966
Financial Derivative Liabilities	5.644.811	7.353.323	412.283	13.410.417
Non-cash Loans	714.430	996.915	110.504	1.821.849

(\*) As of 30 September 2017, total loans amount consists foreign indexed loans amounting to TL 989.594 (31 December 2016: TL 1.485.916).

(\*\*) As of 30 September 2017, other assets do not consist of prepaid expenses amounting to TL 432 (31 December 2016: TL 47).

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**V. EXPLANATIONS ON INTEREST RATE RISK**

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

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

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

<b>Current Period – 30 September 2017</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT	3.757.596	-	-	-	-	870.191	4.627.787
Banks	940.387	-	-	-	-	144.206	1.084.593
Financial Assets at Fair Value Through Profit or Loss (Net)	206.816	240.634	216.035	173.229	27.688	2.578	866.980
Interbank Money Market Placements	1.258.071	-	-	-	-	-	1.258.071
Financial Assets Available-for-Sale (Net)	-	-	727.127	541.455	67.854	8.291	1.344.727
Loans (*)	6.327.713	1.116.501	3.152.518	3.051.678	830.706	314.610	14.793.726
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	971	-	224	210.081	-	438.438	649.714
<b>Total Assets</b>	<b>12.491.554</b>	<b>1.357.135</b>	<b>4.095.904</b>	<b>3.976.443</b>	<b>926.248</b>	<b>1.778.314</b>	<b>24.625.598</b>
<b>Liabilities</b>							
Bank Deposits	2.499.559	-	-	-	-	185.763	2.685.322
Other Deposits	9.842.399	1.453.096	160.797	336	-	2.562.279	14.018.907
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	408.252	20.456	16.818	454	-	-	445.980
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	892.654	714.172	1.223.527	588.634	-	15.795	3.434.782
Other Liabilities (**)	195.155	138.938	186.833	570.048	382	2.949.251	4.040.607
<b>Total Liabilities</b>	<b>13.838.019</b>	<b>2.326.662</b>	<b>1.587.975</b>	<b>1.159.472</b>	<b>382</b>	<b>5.713.088</b>	<b>24.625.598</b>
Balance Sheet Long Position	-	-	2.507.929	2.816.971	925.866	-	6.250.766
Balance Sheet Short Position	(1.346.465)	(969.527)	-	-	-	(3.934.774)	(6.250.766)
Off Balance Sheet Long Position	-	69.346	-	20.448	-	-	89.794
Off Balance Sheet Short Position	(8.767)	-	(8.323)	-	-	-	(17.090)
<b>Total Position</b>	<b>(1.355.232)</b>	<b>(900.181)</b>	<b>2.499.606</b>	<b>2.837.419</b>	<b>925.866</b>	<b>(3.934.774)</b>	<b>72.704</b>

(\*) Loans consist of factoring transactions amounting to TL 225.649 (31 December 2016: TL 476.308).

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

<b>Prior Period - 31 December 2016</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT	1.233.919	-	-	-	-	535.001	1.768.920
Banks	767.006	-	-	-	-	152.881	919.887
Financial Assets at Fair Value Through Profit or Loss (Net)	142.037	276.297	345.609	201.784	5.638	8.407	979.772
Interbank Money Market Placements	4.372.998	-	-	-	-	-	4.372.998
Financial Assets Available-for-Sale (Net)	-	320.306	397.132	530.243	8.788	6.660	1.263.129
Loans (*)	6.113.996	690.428	2.251.159	4.262.436	863.406	449.628	14.631.053
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	41.045	28.409	-	2.136	-	362.067	433.657
<b>Total Assets</b>	<b>12.671.001</b>	<b>1.315.440</b>	<b>2.993.900</b>	<b>4.996.599</b>	<b>877.832</b>	<b>1.514.644</b>	<b>24.369.416</b>
<b>Liabilities</b>							
Bank Deposits	44.488	-	-	-	-	123.171	167.659
Other Deposits	10.514.105	1.174.485	190.529	256	-	3.102.986	14.982.361
Funds from Interbank Money Market	531.938	-	-	-	-	-	531.938
Miscellaneous Payables	-	-	-	-	-	342.363	342.363
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	2.514.000	1.593.155	3.516	211.121	-	3.171	4.324.963
Other Liabilities (**)	78.125	142.145	269.401	785.884	546	2.744.031	4.020.132
<b>Total Liabilities</b>	<b>13.682.656</b>	<b>2.909.785</b>	<b>463.446</b>	<b>997.261</b>	<b>546</b>	<b>6.315.722</b>	<b>24.369.416</b>
Balance Sheet Long Position	-	-	2.530.454	3.999.338	877.286	-	7.407.078
Balance Sheet Short Position	(1.011.655)	(1.594.345)	-	-	-	(4.801.078)	(7.407.078)
Off Balance Sheet Long Position	107.330	190.020	68.378	-	-	-	365.728
Off Balance Sheet Short Position	-	-	-	(9.500)	-	-	(9.500)
<b>Total Position</b>	<b>(904.325)</b>	<b>(1.404.325)</b>	<b>2.598.832</b>	<b>3.989.838</b>	<b>877.286</b>	<b>(4.801.078)</b>	<b>356.228</b>

(\*) Loans consist of factoring transactions amounting to TL 476.308.

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

**b. Effective average interest rates for monetary financial instruments:**

<b>Current Period – 30 September 2017</b>	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,25	-	11,74
Banks	(0,49)	0,70	-	14,23
Financial Assets at Fair Value Through Profit or Loss (Net)	5,55	5,95	-	8,87
Interbank Money Market Placements	-	1,35	-	-
Financial Assets Available-for-Sale (Net)	-	-	-	8,25
Loans	4,07	4,61	-	14,33
<b>Liabilities</b>				
Bank Deposits	-	1,25	-	9,12
Other Deposits	1,58	2,40	1,00	11,04
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed	-	4,47	-	14,01

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

<b>Prior Period - 31 December 2016</b>	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0,75	-	3,31
Banks	-	1,07	-	-
Financial Assets at Fair Value Through Profit or Loss (Net)	5,16	7,21	-	6,38
Interbank Money Market Placements	-	0,81	-	-
Financial Assets Available-for-Sale (Net)	-	-	-	9,29
Loans	3,93	4,47	-	15,04
<b>Liabilities</b>				
Bank Deposits	-	-	-	3,94
Other Deposits	1,45	1,67	1,40	9,50
Funds From Interbank Money Market	-	-	-	8,14
Funds Borrowed	4,50	4,10	-	16,40

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

**a. Position risk of equity securities in banking book**

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

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

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

None.

**VII. EXPLANATIONS ON LIQUIDITY RISK**

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

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

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

**VII. EXPLANATIONS ON LIQUIDITY RISK (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 Bank and its subsidiaries:**

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

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

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

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

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

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

**Information on liquidity risk mitigation techniques:**

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



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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

**VII. EXPLANATIONS ON LIQUIDITY RISK (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 the HSBC. In these scenarios, liquidity crisis scenarios of Bank and macro liquidity crisis scenarios are evaluated and triggering factors of liquidity risk and prewarning signals are tracked. Analyses and results of the liquidity risk are tracked in tactical ALCO meetings weekly and in ALCO-Market Risk Committees monthly.

**General Information on liquidity emergency and contingency plans:**

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

**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 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.

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

- Changes in reserve requirements because of using FC reserve option in reserve requirement accounts kept by CBRT.
- 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 non-deposit borrowings.
- Less than 1 month remaining maturity of cash inflows/outflows resulted specifically from FC derivative transactions.

**Explanation regarding the components of high quality liquid assets:**

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

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

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

The Bank’s founding sources are consisted of real person and retail deposit, corporate bank deposits, repurchas agreements and borrowings. Deposits that are used for founding consists 68% of total liabilities.

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

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

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

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

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

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
<b>Current Period – 30 September 2017</b>				
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			3.194.978	1.575.611
<b>Cash Outflows</b>				
Real person and retail deposits	10.153.379	7.121.334	844.747	628.196
Stable deposits	3.411.825	1.678.753	170.591	83.938
Less stable deposits	6.741.554	5.442.581	674.156	544.258
Unsecured debts other than real person and retail deposits	3.983.935	5.657.522	2.039.102	2.385.828
Operational deposits	165.465	-	8.273	-
Non-operational deposits	641.155	355.125	478.730	230.725
Other unsecured debts	3.177.315	5.302.397	1.552.099	2.155.103
Secured debts	-	-	-	-
Other cash outflows	458.364	2.468.136	458.364	2.575.366
Derivative liabilities and collateral completion liabilities	458.364	2.468.136	458.364	2.575.366
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	6.293.653	283.369	636.584	91.943
Other irrevocable or revocable (based on conditions) off-the-balance sheet debts	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>3.978.797</b>	<b>5.681.333</b>
<b>Cash inflows</b>				
Secured liabilities	-	-	-	-
Unsecured liabilities	4.326.479	603.505	2.968.426	582.613
Other cash inflows	167.562	9.046.706	167.562	9.046.706
<b>TOTAL CASH INFLOWS</b>	<b>4.494.041</b>	<b>9.650.211</b>	<b>3.135.988</b>	<b>9.629.319</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY</b>			<b>3.194.978</b>	<b>1.575.611</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>994.699</b>	<b>1.420.333</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>321,20</b>	<b>110,93</b>

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

Table below represents lowest, highest and average liquidity coverage rates for the last three month period of 2017.

	Current Period – 30 September 2017	
	TL+FC	FC
<b>Highest (%)</b>	355,00	165,13
<b>Date</b>	25.09.2017	14.08.2017
<b>Lowest (%)</b>	205,52	69,60
<b>Date</b>	03.07.2017	03.07.2017
<b>Average (%)</b>	321,20	110,93

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
<b>Prior Period – 31.12.2016</b>				
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			4.744.678	2.405.799
<b>Cash Outflows</b>				
Real person and retail deposits	11.243.309	6.356.303	909.105	557.065
Stable deposits	4.304.520	1.571.316	215.226	78.566
Less stable deposits	6.938.789	4.784.987	693.879	478.499
Unsecured debts other than real person and retail deposits	6.053.621	2.951.921	3.776.813	1.675.952
Operational deposits	87.153	-	4.358	-
Non-operational deposits	1.887.949	896.778	1.700.554	773.454
Other unsecured debts	4.078.519	2.055.143	2.071.901	902.498
Secured debts	-	-	-	-
Other cash outflows	43.917	1.869.809	43.917	1.869.809
Derivative liabilities and collateral completion liabilities	43.917	1.869.809	43.917	1.869.809
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	6.495.663	422.034	324.783	21.102
Other irrevocable or revocable (based on conditions) off-the-balance sheet debts	892.245	3.858	267.674	1.158
<b>TOTAL CASH OUTFLOWS</b>			<b>5.322.291</b>	<b>4.125.085</b>
<b>Cash inflows</b>				
Secured liabilities	-	-	-	-
Unsecured liabilities	6.796.816	4.617.483	5.688.954	4.496.029
Other cash inflows	234.374	2.309.554	234.374	2.309.554
<b>TOTAL CASH INFLOWS</b>	<b>7.031.190</b>	<b>6.927.037</b>	<b>5.923.328</b>	<b>6.805.583</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>4.744.678</b>	<b>2.405.799</b>
<b>INVENTORY</b>				
<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.330.573</b>	<b>1.031.271</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>356,59</b>	<b>233,28</b>

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

Table below represents lowest, highest and average liquidity coverage rates for year 2016.

	Prior Period - 31.12.2016	
	TL+FC	FC
<b>Highest (%)</b>	318,78	435,68
<b>Date</b>	12.12.2016	05.12.2016
<b>Lowest (%)</b>	219,80	115,68
<b>Date</b>	31.10.2016	07.11.2016
<b>Average (%)</b>	356,59	233,28

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

<b>Current Period – 30 September 2017</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated</b>	<b>Total</b>
<b>Assets</b>								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT	870.191	3.757.596	-	-	-	-	-	4.627.787
Banks	144.206	940.387	-	-	-	-	-	1.084.593
Financial Assets at Fair Value through Profit or Loss (Net)	2.578	173.949	172.386	174.155	280.197	63.715	-	866.980
Interbank Money Market Placements	-	1.258.071	-	-	-	-	-	1.258.071
Financial Assets Available-for-Sale (Net)	-	-	-	727.127	541.455	67.854	8.291	1.344.727
Loans (*)	-	5.025.089	2.363.123	3.279.367	2.998.003	813.534	314.610	14.793.726
Investments Held-to-maturity (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	971	-	224	210.081	-	438.438	649.714
<b>Total Assets</b>	<b>1.016.975</b>	<b>11.156.063</b>	<b>2.535.509</b>	<b>4.180.873</b>	<b>4.029.736</b>	<b>945.103</b>	<b>761.339</b>	<b>24.625.598</b>
<b>Liabilities</b>								
Bank Deposits	185.763	2.499.559	-	-	-	-	-	2.685.322
Other Deposits	2.562.279	9.842.399	1.453.096	160.797	336	-	-	14.018.907
Funds from Interbank Money Market	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	408.252	20.456	16.818	454	-	-	445.980
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Funds Borrowed	15.795	-	-	203.057	2.195.481	1.020.449	-	3.434.782
Other Liabilities (***)	-	167.049	84.517	386.926	430.701	22.163	2.949.251	4.040.607
<b>Total Liabilities</b>	<b>2.763.837</b>	<b>12.917.259</b>	<b>1.558.069</b>	<b>767.598</b>	<b>2.626.972</b>	<b>1.042.612</b>	<b>2.949.251</b>	<b>24.625.598</b>
<b>Net Liquidity Excess / (Gap)</b>	<b>(1.746.862)</b>	<b>(1.761.196)</b>	<b>977.440</b>	<b>3.413.275</b>	<b>1.402.764</b>	<b>(97.509)</b>	<b>(2.187.912)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
Derivative Financial Assets	-	(8.077)	86.150	(11.039)	44,990	-	-	112.024
Derivative Financial Liabilities	-	25.000.546	8.831.425	5.113.108	4.615.452	-	-	43.560.531
Non-cash Loans	890.766	185.215	286.218	608.290	592.251	10.169	-	2.572.909
<b>Prior Period - 31 December 2016</b>								
Total Assets	479.515	11.154.590	2.927.485	3.015.018	5.117.784	907.428	767.596	24.369.416
Total Liabilities	3.229.328	11.375.562	1.366.154	820.965	2.823.727	2.009.649	2.744.031	24.369.416
<b>Net Liquidity Excess / (Gap)</b>	<b>(2.749.813)</b>	<b>(220.972)</b>	<b>1.561.331</b>	<b>2.194.053</b>	<b>2.294.057</b>	<b>(1.102.221)</b>	<b>(1.976.435)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>								
Derivative Financial Assets	-	46.809	31.092	171.498	160.308	-	-	409.707
Derivative Financial Liabilities	-	5.384.002	3.654.131	6.126.558	3.550.187	-	-	18.714.878
Non-cash Loans	926.860	301.508	540.881	428.034	438.806	14.482	-	2.650.571

(\*) Loans include the factoring receivables amounting to TL 225.649 (31 December 2016; TL 476.308).

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

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

**c. Information on securitization positions:**

None.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**VIII. EXPLANATIONS ON 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.

	<b>Current Period 30.09.2017 (*)</b>	<b>Prior Period 31.12.2016 (*)</b>
<b>Assets On the Balance Sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	24.621.332	23.927.346
(Assets deducted from core capital)	(151.307)	(133.576)
Total risk amount for assets on the balance sheet	24.470.025	23.793.770
<b>Derivative Financial Instruments and Loan Derivatives</b>		
Renewal cost of derivative financial instruments and loan derivatives	708.472	875.210
Potential credit risk amount of derivative financial instruments and loan derivatives	544.216	380.549
Total risk amount of derivative financial instruments and loan derivatives	1.252.688	1.255.759
<b>Financing Transactions With Securities Or Goods Warranties</b>		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	31.703	69.590
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	31.703	69.590
<b>Off-the-Balance Sheet Transactions</b>		
Gross nominal amount of the off-the-balance sheet transactions	12.132.570	24.613.308
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	12.132.570	24.613.308
<b>Capital and Total Risk</b>		
Core capital	2.229.660	2.238.933
Total risk amount	37.886.986	49.732.427
<b>Leverage Ratio</b>		
<b>Leverage Ratio (%)</b>	<b>5,89</b>	<b>4,50</b>

(\*) Table represents three month average amounts.

**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 September 2017:

- 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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)**

**a. Explanations on Risk Management and Risk Weighted Amount:**

**1. Overview of Risk Weighted Amounts:**

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period 30 September 2017	Prior Period 31 December 2016	Current Period 30 September 2017
Credit risk (excluding counterparty credit risk) (CCR)	15.177.785	15.911.886	1.214.223
Standardised approach (SA)	15.177.785	15.911.886	1.214.223
Internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	1.019.765	919.077	81.581
Standardised approach for counterparty credit risk (SA-CCR)	1.019.765	919.077	81.581
Internal model method (IMM)	-	-	-
Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – 1250% risk weighting approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
IRB ratings-based approach (RBA)	-	-	-
IRB supervisory formula approach (SFA)	-	-	-
SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	671.250	739.075	53.700
Standardised approach (SA)	671.250	739.075	53.700
Internal model approaches (IMM)	-	-	-
Operational risk	3.000.097	3.262.352	240.008
Basic indicator approach	3.000.097	3.262.352	240.008
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>TOTAL</b>	<b>19.868.897</b>	<b>20.832.390</b>	<b>1.589.512</b>

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

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

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

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**XII. EXPLANATIONS ON OPERATING SEGMENTS**

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
<b>Current Period – 30 September 2017</b>					
Operating Income	547.820	369.773	218.757	-	1.136.350
Other	-	-	-	-	-
<b>Operating Income</b>	<b>547.820</b>	<b>369.773</b>	<b>218.757</b>	<b>-</b>	<b>1.136.350</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(145.864)	160.325	159.135	(36.436)	137.160
<b>Profit before Tax</b>	<b>(145.864)</b>	<b>160.325</b>	<b>159.135</b>	<b>(36.436)</b>	<b>137.160</b>
Corporate Tax Provision (*)	-	-	-	(2.280)	(2.280)
<b>Profit after Tax</b>	<b>(145.864)</b>	<b>160.325</b>	<b>159.135</b>	<b>(38.716)</b>	<b>134.880</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(145.864)</b>	<b>160.325</b>	<b>159.135</b>	<b>(38.716)</b>	<b>134.880</b>
Segment Assets	4.585.755	13.141.287	6.863.533	-	24.590.575
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>4.585.755</b>	<b>13.141.287</b>	<b>6.898.286</b>	<b>270</b>	<b>24.625.598</b>
Segment Liabilities	10.457.349	7.094.749	2.567.480	4.506.020	24.625.598
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>10.457.349</b>	<b>7.094.749</b>	<b>2.567.480</b>	<b>4.506.020</b>	<b>24.625.598</b>
<b>Other Segment Items</b>	<b>(226.021)</b>	<b>(5.316)</b>	<b>(2.847)</b>	<b>-</b>	<b>(234.184)</b>
Capital Investment	-	-	-	-	-
Amortization	(21.147)	(5.316)	(2.841)	-	(29.304)
Impairment	-	-	(6)	-	(6)
Non-Cash Other Income-Expense (**)	(204.874)	-	-	-	(204.874)

(\*) Corporate tax provision is not distributed.

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



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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
<b>Prior Period - 31 December 2016 (***)</b>					
Operating Income	727.873	393.598	204.409	-	1.325.880
Other	-	-	-	-	-
<b>Operating Income</b>	<b>727.873</b>	<b>393.598</b>	<b>204.409</b>	<b>-</b>	<b>1.325.880</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(388.720)	121.181	156.699	(46.014)	(156.854)
<b>Profit before Tax</b>	<b>(388.720)</b>	<b>121.181</b>	<b>156.699</b>	<b>(46.014)</b>	<b>(156.854)</b>
Corporate Tax Provision (*)	-	-	-	(5.154)	(5.154)
<b>Profit after Tax</b>	<b>(388.720)</b>	<b>121.181</b>	<b>156.699</b>	<b>(51.168)</b>	<b>(162.008)</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(388.720)</b>	<b>121.181</b>	<b>156.699</b>	<b>(51.168)</b>	<b>(162.008)</b>
Segment Assets	6.165.504	12.676.924	5.491.965	-	24.334.393
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>6.165.504</b>	<b>12.676.924</b>	<b>5.526.718</b>	<b>270</b>	<b>24.369.416</b>
Segment Liabilities	11.703.019	8.150.144	81.301	4.434.952	24.369.416
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>11.703.019</b>	<b>8.150.144</b>	<b>81.301</b>	<b>4.434.952</b>	<b>24.369.416</b>
<b>Other Segment Items</b>	<b>(305.444)</b>	<b>(6.567)</b>	<b>(4.394)</b>	<b>-</b>	<b>(316.405)</b>
Capital Investment	-	-	-	-	-
Amortization	(27.684)	(6.567)	(2.534)	-	(36.785)
Impairment	-	-	(1.860)	-	(1.860)
Non-Cash Other Income-Expense (**)	(277.760)	-	-	-	(277.760)

(\*) Corporate tax provision is not distributed.

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

(\*\*\*) Items of income and expense are the amounts for the period ended 30 September 2016.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**SECTION FIVE**

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

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

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

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

	Current Period 30 September 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Cash/Foreign Currency	84.529	164.952	133.024	118.411
The CBRT	2.384.509	1.981.927	46.713	1.452.877
Other (*)	-	11.870	-	17.895
<b>Total</b>	<b>2.469.038</b>	<b>2.158.749</b>	<b>179.737</b>	<b>1.589.183</b>

(\*) As of 30 September 2017, account of Precious Metal is amounting to TL 11.870 (31 December 2016: TL 17.895). As of 30 September 2017, account of Bank money in transits is amounting to none. (31 December 2016: None).

**2. Information related to balances with the CBRT:**

	Current Period 30 September 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Unrestricted Demand Deposit	148.586	460.254	46.713	2.184
Unrestricted Time Deposit	2.235.923	104.222	-	-
Restricted Time Account	-	-	-	-
Reserve Requirements	-	1.417.451	-	1.450.693
<b>Total</b>	<b>2.384.509</b>	<b>1.981.927</b>	<b>46.713</b>	<b>1.452.877</b>

**3. Explanation on reserve deposits:**

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

As of 30 September 2017, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 4% - 10,50% (31 December 2016: 4% - 10,5%), for TL deposits and other liabilities, and between 5% - 19% for FC deposits (31 December 2016: 4,5% - 24,5%).

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Collateral/Blocked	-	-
Repurchase Agreement	-	-
Unrestricted	84.349	71.964
<b>Total</b>	<b>84.349</b>	<b>71.964</b>

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

	<b>Current Period 30 September 2017</b>		<b>Prior Period 31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	38.785	61.663	69.443	16.269
Swap Transactions	295.758	173.990	525.092	142.442
Futures Transactions	-	-	-	-
Options	-	212.435	-	154.562
Other	-	-	-	-
<b>Total</b>	<b>334.543</b>	<b>448.088</b>	<b>594.535</b>	<b>313.273</b>

**c. Information on banks:**

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

	<b>Current Period 30 September 2017</b>		<b>Prior Period 31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Banks</b>				
Domestic	-	-	-	1
Foreign	105.533	979.060	42.060	877.826
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>105.533</b>	<b>979.060</b>	<b>42.060</b>	<b>877.827</b>

**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”.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Collateral/Blocked	759.172	683.332
Repurchase Agreement	-	536.123
Unrestricted	585.555	43.674
<b>Total</b>	<b>1.344.727</b>	<b>1.263.129</b>

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
<b>Debt Securities</b>	<b>1.336.770</b>	<b>1.257.091</b>
Quoted to Stock Exchange	1.336.770	1.257.091
Not Quoted	-	-
<b>Share Certificate</b>	<b>8.290</b>	<b>6.660</b>
Quoted to Stock Exchange	-	-
Not Quoted	8.290	6.660
<b>Impairment Provision (-)</b>	<b>333</b>	<b>622</b>
<b>Total</b>	<b>1.344.727</b>	<b>1.263.129</b>

**e. Information related to loans:**

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

	<b>Current Period 30 September 2017</b>		<b>Prior Period 31 December 2016</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
<b>Direct Loans Granted to Shareholders</b>	-	<b>106.310</b>	-	<b>81.777</b>
Corporate Shareholders	-	106.310	-	81.777
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	<b>4.110</b>	<b>442.706</b>	<b>7.404</b>	<b>463.715</b>
<b>Loans Granted to Employees</b>	<b>13.432</b>	-	<b>14.478</b>	-
<b>Total</b>	<b>17.542</b>	<b>549.016</b>	<b>21.882</b>	<b>545.492</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring			
	Loans and Other Receivable	Loans and other receivables with revised contract terms	Loans and Other Receivable	Loans and other receivables with revised contract terms		
		Restructured or Rescheduled	Other		Restructured or Rescheduled	Other
<b>Non-specialised Loans</b>	<b>13.272.400</b>	<b>387.937</b>	-	<b>367.365</b>	<b>451.414</b>	-
Commercial Loans	7.706.144	314.825	-	207.024	395.607	-
Export Loans	175.642	-	-	-	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	516.443	-	-	-	-	-
Consumer Loans	1.780.029	5.480	-	77.781	11.981	-
Credit Cards	2.272.970	67.632	-	76.607	43.188	-
Other (*)	821.172	-	-	5.953	638	-
<b>Specialised Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>13.272.400</b>	<b>387.937</b>	-	<b>367.365</b>	<b>451.414</b>	-

(\*) Includes the factoring receivables amounting to TL 225.649.

<b>Number of Extensions</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
Extended by 1 or 2 times	387.937	450.536
Extended by 3, 4 or 5 times	-	878
Extended by more than 5 times	-	-
<b>Total</b>	<b>387.937</b>	<b>451.414</b>

<b>Extended period of time</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
0 – 6 Months	192	3.758
6 – 12 Months	10.913	5.006
1 – 2 Years	180.358	100.710
2 – 5 Years	195.815	169.976
5 years or more	659	171.964
<b>Total</b>	<b>387.937</b>	<b>451.414</b>

**3. Breakdown of loans according to their maturities:**

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	Short-term	Medium and Long-term	Total
<b>Consumer Loans-TL</b>	<b>38.792</b>	<b>1.598.147</b>	<b>1.636.939</b>
Mortgage Loans	-	790.708	790.708
Automotive Loans	-	5.549	5.549
Consumer Loans	38.792	796.995	835.787
Other	-	4.895	4.895
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>303</b>	<b>303</b>
Mortgage Loans	-	303	303
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>2.335.811</b>	<b>109.149</b>	<b>2.444.960</b>
Instalment	852.434	109.149	961.583
Non Instalment	1.483.377	-	1.483.377
<b>Individual Credit Cards-FC</b>	<b>7.574</b>	<b>-</b>	<b>7.574</b>
Instalment	-	-	-
Non Instalment	7.574	-	7.574
<b>Personnel Loans-TL</b>	<b>848</b>	<b>7.697</b>	<b>8.545</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	848	7.697	8.545
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>4.844</b>	<b>-</b>	<b>4.844</b>
Instalment	2.157	-	2.157
Non Instalment	2.687	-	2.687
<b>Personnel Credit Cards-FC</b>	<b>43</b>	<b>-</b>	<b>43</b>
Instalment	-	-	-
Non Instalment	43	-	43
<b>Overdraft Account-TL (Individual)</b>	<b>229.484</b>	<b>-</b>	<b>229.484</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>2.617.396</b>	<b>1.715.296</b>	<b>4.332.692</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	Short-term	Medium and Long-term	Total
<b>Commercial Instalment Loans-TL</b>	<b>2.170</b>	<b>131.648</b>	<b>133.818</b>
Mortgage Loans	-	1.622	1.622
Automotive Loans	-	1.389	1.389
Consumer Loans	2.170	128.637	130.807
Other	-	-	-
<b>Commercial Instalment Loans- Indexed to FC</b>	<b>8.474</b>	<b>94.708</b>	<b>103.182</b>
Mortgage Loans	-	2.739	2.739
Automotive Loans	-	2.273	2.273
Consumer Loans	8.474	89.696	98.170
Other	-	-	-
<b>Commercial Instalment Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>2.412</b>	<b>-</b>	<b>2.412</b>
Instalment	269	-	269
Non Instalment	2.143	-	2.143
<b>Corporate Credit Cards-FC</b>	<b>564</b>	<b>-</b>	<b>564</b>
Instalment	-	-	-
Non Instalment	564	-	564
<b>Overdraft Account-TL (Commercial)</b>	<b>9.467</b>	<b>-</b>	<b>9.467</b>
<b>Overdraft Account-FC (Commercial)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>23.087</b>	<b>226.356</b>	<b>249.443</b>

**6. Loans according to types of borrowers:**

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

**7. Domestic and foreign loans:**

	Current Period 30 September 2017	Prior Period 31 December 2016
Domestic Loans	14.111.372	13.721.791
Foreign Loans	367.744	459.634
<b>Total (*)</b>	<b>14.479.116</b>	<b>14.181.425</b>

(\*) Includes the factoring receivables amounting to TL 225.649 (31 December 2016: TL 476.308).

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

As of 30 September 2017 and 31 December 2016, the Bank has no loans granted to investments in associates and subsidiaries.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**9. Specific provisions provided against loans:**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2017</b>	<b>31 December 2016</b>
Loans and Receivables with Limited Collectability	14.717	28.491
Loans and Receivables with Doubtful Collectability	67.620	111.688
Uncollectible Loans and Receivables	495.007	841.099
<b>Total</b>	<b>577.344</b>	<b>981.278</b>

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other</b>	<b>Loans and Other</b>	<b>Uncollectible</b>
	<b>Receivables with</b>	<b>Receivables with</b>	<b>Loans and</b>
	<b>Limited</b>	<b>Doubtful</b>	<b>Other</b>
	<b>Collectability</b>	<b>Collectability</b>	<b>Receivables</b>
<b>Current Period: 30 September 2017</b>	<b>199</b>	<b>2.672</b>	<b>39.248</b>
<b>(Gross Amounts Before Specific Provisions)</b>			
Restructured Loans and Other Receivables	199	2.672	39.248
Rescheduled Loans and Other Receivables	-	-	-
<b>Prior Period: 31 December 2016</b>	<b>28.986</b>	<b>8.396</b>	<b>11.437</b>
<b>(Gross Amounts Before Specific Provisions)</b>			
Restructured Loans and Other Receivables	28.986	8.396	11.437
Rescheduled Loans and Other Receivables	-	-	-

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other</b>	<b>Loans and Other</b>	<b>Uncollectible</b>
	<b>Receivables with</b>	<b>Receivables with</b>	<b>Loans and</b>
	<b>Limited</b>	<b>Doubtful</b>	<b>Other</b>
	<b>Collectability</b>	<b>Collectability</b>	<b>Receivables</b>
<b>Balance at the end of Prior Period: 31 December 2016</b>	<b>186.475</b>	<b>257.235</b>	<b>987.196</b>
Additions (+)	273.813	3.362	4.370
Transfers from Other Categories of Non-Performing Loans (+)	3.359	333.770	331.218
Transfers to Other Categories of Non-Performing Loans (-)	332.863	335.484	-
Collections (-)	50.286	107.497	55.208
Write-offs (-) (*)	-	2.351	605.155
Corporate and Commercial Loans	-	-	67.171
Retail Loans	-	175	211.499
Credit Cards	-	2.176	326.485
Other	-	-	-
<b>Balance at the End of the Period: 30 September 2017</b>	<b>80.498</b>	<b>149.035</b>	<b>662.421</b>
Specific Provisions (-)	14.717	67.620	495.007
<b>Net Balance in Balance Sheet</b>	<b>65.781</b>	<b>81.415</b>	<b>167.414</b>

(\*) The bank has concluded the sale of non performing corporate and commercial loans amounting to TL 67.171 for TL 16.797 in 27 March 2017 and the sale of non performing credit cards and retail loans amounting to TL 540.335 for TL 49.300 in 21 September 2017.



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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other Receivables with Limited Collectability</b>	<b>Loans and Other Receivables with Doubtful Collectability</b>	<b>Uncollectible Loans and Other Receivables</b>
<b>Current Period: 30 September 2017</b>			
Balance at the End of the Period	-	-	79
Specific Provisions (-)	-	-	44
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>35</b>
<b>Prior Period: 31 December 2016</b>			
Balance at the End of the Period	-	-	165
Specific Provisions (-)	-	-	66
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>99</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other Receivables with Limited Collectability</b>	<b>Loans and Other Receivables with Doubtful Collectability</b>	<b>Uncollectible Loans and Other Receivables</b>
<b>Current Period (Net): 30 September 2017</b>			
Loans granted to corporate entities and real persons (Gross)	65.781	81.415	167.414
Specific Provisions Amount (-)	80.498	149.035	662.421
Loans granted to corporate entities and real persons (Net)	14.717	67.620	495.007
Banks (Gross)	65.781	81.415	167.414
Specific Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
<b>Prior Period (Net): 31 December 2016</b>	<b>157.984</b>	<b>145.547</b>	<b>146.097</b>
Loans granted to corporate entities and real persons (Gross)	186.475	257.235	987.196
Specific Provisions Amount (-)	28.491	111.688	841.099
Loans granted to corporate entities and real persons (Net)	157.984	145.547	146.097
Banks (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**I. EXPLANATIONS AND NOTES RELATED TO 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 Bank's top management occurs.

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

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

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

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

As of 30 September 2017 and 31 December 2016, the Bank has no investment held to maturity given as collateral/blocked and subject to repurchase agreements.

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

As of 30 September 2017 and 31 December 2016, the Bank has no investments as government debt securities held to maturity.

**3. Information on investments held-to-maturity:**

As of 30 September 2017 and 31 December 2016, the Bank has no investments held to maturity.

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

As of 30 September 2017 and 31 December 2016, the Bank has no investments of held to maturity movement.

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

The Bank has no associates as of 30 September 2017 and 31 December 2016.

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

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

**a) Unconsolidated subsidiaries:**

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss (**)	Prior Period Profit/Loss	Fair Value
1	2.709	2.066	18	-	-	1.180	762	-

(\*) Prepared with the non-reviewed financial statements as of 30 September 2017.

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

**2. Information on the consolidated subsidiaries:**

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

**a) Consolidated subsidiaries:**

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss (**)	Fair Value
1	84.528	70.074	1.339	5.337	1.434	14.926	15.006	-

(\*) Prepared with the non-reviewed financial statements as of 30 September 2017.

(\*\*) The prior period balances represent the non-reviewed amounts as of 30 September 2016.

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

	Current Period 30 September 2017	Prior Period 31 December 2016
<b>Balance at the Beginning of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Movements During the Period</b>	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Increase/(Decrease) of Valuation	-	-
<b>Balance at the End of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of the Period (%)</b>	<b>99,87</b>	<b>99,87</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

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

The Bank has no subsidiaries quoted on a stock exchange as of 30 September 2017 and 31 December 2016.

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

- The Bank has no jointly controlled entities as of 30 September 2017 and 31 December 2016.
- As of 30 September 2017 and 31 December 2016, the accounting method is not determined since the Bank has no jointly controlled entities.

**j. Information on financial lease receivables (Net):**

As of 30 September 2017 and 31 December 2016, the Bank has no finance leases.

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

	<b>Current Period 30 September 2017</b>		<b>Prior Period 31 December 2016</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	-	-	69.454	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	-	-	<b>69.454</b>	-

**l. Explanations on property and equipment:**

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

**m. 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”.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**n. Information on the investment properties**

As of 30 September 2017 and 31 December 2016, the Bank has no investment properties.

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

The Bank’s deferred tax assets as of 30 September 2017 are explained in Note XVIII of Section Three.

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

HSBC Bank A.Ş signed the share transfer agreement regarding to the Board of directors decision on selling all banking activities of Cyprus Branches of HSBC Bank A.Ş and initiated the required legal process. Non-financial assets of the branches were recognized in accordance with the TFRS 5 and financial assets were recognized in accordance with TAS 39. Operations regarding to these branches are classified as ongoing activities in 30 September 2017 financial statement and consolidated under the financial statement of assets and liabilities of the branches. The table below represents the summary financial information on the branches as of 30 September 2017.

	<b>Net Amount</b>
Banks	90.307
Securities Portfolio	149.938
Loans and Receivables (Net)	72.465
Other Assets	140.713
<b>Total Assets</b>	<b>453.423</b>

	<b>Net Amount</b>
Deposit	280.120
Borrowings	104.576
Provisions	3.405
Other Liabilities	65.322
<b>Total Liabilities</b>	<b>453.423</b>

	<b>Net Amount</b>
Interest Income	23.315
Interest Expenses	15.361
Interest Income/Loss (Net)	7.954
Exchange Profit / Loss (Net)	360
Specific Provisions for Non Performing Loans (-)	2.978
Other Non-Interest Income	5.426
Other Operating Expenses (-)	9.254
<b>Net Profit</b>	<b>1.508</b>

As of 30 September 2017, Fixed assets that held for sale of the Bank is TL 1.729 (31 December 2016: TL 2.742).

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**q. Information on other assets:**

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Miscellaneous Receivables (*)	285.221	6.004
Prepaid Expenses	52.878	37.394
Other Rediscount Income	20.393	12.312
Debited Suspense Accounts	21.352	57.308
Other Assets	318	378
<b>Total</b>	<b>380.162</b>	<b>113.396</b>

(\*) Contains BİST and derivative securities.

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

As of 30 September 2017 and 31 December 2016, the Bank has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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

**a. Information on deposits**

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

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

**1 (i). Current Period – 30 September 2017:**

	<b>With 7 Days Demand</b>	<b>Up to 1 Maturity</b>	<b>1 - 3 Months</b>	<b>3 - 6 Months</b>	<b>6 Months -1 Year</b>	<b>1 Year and Over</b>	<b>Cumulative Deposit</b>	<b>Total</b>
Saving Deposits	336.847	-	642.182	2.329.586	82.728	34.867	21.885	- 3.448.095
Foreign Currency Deposits	1.715.689	-	- 2.182.166	4.793.115	359.799	77.194	47.098	- 9.175.061
Residents in Turkey	1.398.173	-	- 2.058.671	4.182.116	315.108	64.358	15.729	- 8.034.155
Residents Abroad	317.516	-	- 123.495	610.999	44.691	12.836	31.369	- 1.140.906
Public Sector Deposits	21.741	-	-	-	-	-	-	- 21.741
Commercial Deposits	332.862	-	782.836	26.663	67	458	1.276	- 1.144.162
Other Institutions Deposits	6.311	-	350	3.719	-	-	-	- 10.380
Precious Metal Deposit	148.829	-	4.407	63.770	757	1.705	-	- 219.468
Bank Deposits	185.763	-	- 2.499.559	-	-	-	-	- 2.685.322
The CBRT	-	-	- 2.480.488	-	-	-	-	- 2.480.488
Domestic Banks	-	-	-	-	-	-	-	-
Foreign Banks	185.763	-	19.071	-	-	-	-	- 204.834
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2.748.042</b>	<b>- 6.111.500</b>	<b>7.216.853</b>	<b>443.351</b>	<b>114.224</b>	<b>70.259</b>	<b>- 16.704.229</b>	<b>- 16.704.229</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**1 (ii). Prior Period - 31 December 2016:**

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	415.452	-	1.053.445	2.991.576	115.186	39.997	24.754	-	4.640.410
Foreign Currency Deposits	1.986.054	-	2.108.789	4.166.221	349.110	101.985	51.285	-	8.763.444
Residents in Turkey	1.665.892	-	1.769.199	3.582.843	303.834	74.175	17.790	-	7.413.733
Residents Abroad	320.162	-	339.590	583.378	45.276	27.810	33.495	-	1.349.711
Public Sector Deposits	19.967	-	-	-	-	-	-	-	19.967
Commercial Deposits	378.363	-	775.099	14.156	704	1.631	174	-	1.170.127
Other Institutions Deposits	5.917	-	1.228	4.055	-	-	-	-	11.200
Precious Metal Deposit	297.233	-	5.623	69.462	1.795	3.100	-	-	377.213
Bank Deposits	123.171	-	44.488	-	-	-	-	-	167.659
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	123.171	-	44.488	-	-	-	-	-	167.659
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3.226.157</b>	<b>-</b>	<b>3.988.672</b>	<b>7.245.470</b>	<b>466.795</b>	<b>146.713</b>	<b>76.213</b>	<b>-</b>	<b>-15.150.020</b>

**2. Information on saving deposits insurance:**

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period 30 September 2017	Prior Period 31 December 2016	Current Period 30 September 2017	Prior Period 31 December 2016
Saving Deposits	1.870.070	2.477.436	1.527.300	2.090.596
Foreign Currency Saving Deposits	1.768.520	1.492.801	5.663.542	4.691.126
Other Deposits in the Form of Saving Deposits	11.188	14.779	50.775	67.541
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	112.877	138.418	111.827	145.670
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
<b>Total</b>	<b>3.762.655</b>	<b>4.123.434</b>	<b>7.353.444</b>	<b>6.994.933</b>

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

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

	Current Period 30 September 2017	Prior Period 31 December 2016
Foreign Branches' Deposits and other accounts	111.827	145.670
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their worship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their worship	12.306	-
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	-	-

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

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

	Current Period 30 September 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Forward Transactions	6.095	20.083	295	136.791
Swap Transactions	91.315	332.167	24.292	351.152
Future Transactions	-	-	-	-
Options	-	212.870	-	154.728
Other	-	-	-	-
<b>Total</b>	<b>97.410</b>	<b>565.120</b>	<b>24.587</b>	<b>642.671</b>

**c. Information on funds provided under repurchase agreements:**

As of 30 September 2017, the Bank has no funds provided under repurchase agreements (31 December 2016: TL 531.938).

**d. Information on funds borrowed:**

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

	Current Period 30 September 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	-	-	1.524	4.166
Foreign Banks and Institutions and Funds	791.683	1.622.650	211.107	2.124.212
<b>Total</b>	<b>791.683</b>	<b>1.622.650</b>	<b>212.631</b>	<b>2.128.378</b>

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

	Current Period 30 September 2017		Prior Period 31 December 2016	
	TL	FC	TL	FC
Short-term	-	15.795	1.524	7.337
Medium and Long-term	791.683	1.606.855	211.107	2.121.041
<b>Total</b>	<b>791.683</b>	<b>1.622.650</b>	<b>212.631</b>	<b>2.128.378</b>

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

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

**e. Information on other liabilities:**

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



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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**f. Information on financial leasing agreements:**

**i. Information on obligations under financial leases:**

None (31 December 2016: None).

**ii. Explanations on operational lease:**

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Less Than 1 Year	20.325	16.196
Between 1- 4 Years	7.150	5.963
More Than 4 Years	2.223	2.743
<b>Total</b>	<b>29.698</b>	<b>24.902</b>

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

As of 30 September 2017, the Bank has no derivative financial liabilities for hedging purposes (31 December 2016: None).

**h. Information on provisions:**

**1. Information on general provisions:**

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
<b>General Provisions</b>	<b>483.226</b>	<b>481.729</b>
Provisions for First Group Loans and Receivables	316.966	305.364
Provisions for Second Group Loans and Receivables	43.534	58.356
Provisions for Non-Cash Loans	20.095	22.096
Other	102.631	95.913

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

As of 30 September 2017 the Bank has employee termination benefit provision amounting to TL 55.717 (31 December 2016: TL 48.491), and unused vacation provision amounting to TL 7.440 (31 December 2016: TL 6.261).

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as of 30 September 2017 is TL 4.732,48 (full TL) (31 December 2016: TL 4.297,21 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

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

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Bank is calculated from the ceiling amount valid from 1 July 2017, TL 4.732,48 (full TL) (31 December 2016: TL 4.297,21 (full TL)).

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
<b>As of January 1</b>	<b>48.491</b>	<b>54.125</b>
Service Cost	5.590	26.639
Interest Cost	3.721	4.857
Actuarial Gain / (Loss)	6.593	5.655
Paid in Current Period	(8.678)	(42.785)
<b>As of Period End</b>	<b>55.717</b>	<b>48.491</b>

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

As of 30 September 2017, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 2.712 (31 December 2016: TL 47), is offset with the balance of foreign currency indexed loans.

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

As of 30 September 2017, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 243 (31 December 2016: TL 15.142).

**5. Information on restructuring provisions:**

As of 30 September 2017, restructuring provisions amounting to TL 93.823 (31 December 2016: TL 127.051).

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**6. Information on other provisions:**

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

As of 30 September 2017, the Bank has no free provisions for possible risks (31 December 2016: None).

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Provision for lawsuits	30.904	26.419
Unpaid cheques received on time	13.437	16.562
Provision for accumulated credit card bonus	4.135	6.200
Return provision of case file expenses	2.530	3.047
Specific provision for non-cash loans that are non-funded and non-transformed into cash	243	15.142
Other Provisions (*)	45.883	44.223
<b>Total</b>	<b>97.132</b>	<b>111.593</b>

(\*) Contains other provisions as a part of TAS 37.

**i. Explanations on tax liability:**

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

The corporate tax provisions calculation of the Bank is explained in Note XVIII of Section Three.

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Banking Insurance Transaction Tax (BITT)	9.841	11.321
Taxation on Marketable Securities	9.974	10.957
Capital Gains Tax on Property	377	805
Corporate Taxes Payable	237	884
Value Added Tax Payable	954	1.336
Foreign Exchange Transaction Tax	7	13
Other (*)	7.186	11.214
<b>Total</b>	<b>28.576</b>	<b>36.530</b>

(\*) As of 30 September 2017, other taxes payable amount consists of payroll tax amounting to TL 5.627 (31 December 2016: TL 9.836), stamp tax amounting to TL 180 (31 December 2016: TL 280) and other taxes amounting to TL 1.379 (31 December 2016: TL 1.096).

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Social Security Premiums – Employee	4.484	2.896
Social Security Premiums – Employer	5.020	3.249
Bank Social Aid Pension Fund Premium – Employee	-	-
Bank Social Aid Pension Fund Premium – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	330	214
Unemployment Insurance – Employer	650	428
Other	-	-
<b>Total</b>	<b>10.484</b>	<b>6.787</b>

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

Information on the Bank’s deferred tax liability as of 30 September 2017 is explained in Note XVIII of Section Three.

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

As of 30 September 2017 and 31 December 2016, the Bank 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:**

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

According to the statement published by BRSA dated 28 April 2005, capital reserve due to adjustment of the paid-in capital for inflation amounting to TL 272.693 has been classified under the other capital reserve sub-account (31 December 2016: TL 272.693).

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**2. Amount of paid-in-capital, explanations as to whether the registered share capital system is applied, if so, 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 Bank has not increased its share capital during the current period.

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

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

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

The Bank has no capital commitments.

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

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

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

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

**8. Information on valuation differences of marketable securities:**

	Current Period		Prior Period	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-
Valuation Difference	(8.011)	1.049	(2.317)	-
Foreign Currency Differences	-	-	-	-
<b>Total</b>	<b>(8.011)</b>	<b>1.049</b>	<b>(2.317)</b>	<b>-</b>

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

As of 30 September 2017 and 31 December 2016, the Bank has no revaluation value increase fund.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**10. Information on legal reserves:**

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
First Legal Reserve	138.697	137.660
Second Legal Reserve	45.444	45.444
Legal Reserves according to Special Legislation	-	-
<b>Total</b>	<b>184.141</b>	<b>183.104</b>

**11. Information on extraordinary reserves:**

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Reserves Allocated per General Assembly Minutes	1.093.193	1.450.828
Retained Earnings	97.844	97.844
Accumulated Loss	-	-
Foreign Currency Differences	-	-
<b>Total</b>	<b>1.191.037</b>	<b>1.548.672</b>

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

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.

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

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Asset Purchase and Sale Commitments	4.932.516	5.131.953
Commitments for Credit Card Limits	4.223.909	4.797.889
Commitments for Cheques	506.222	489.020
Loan Granting Commitments	484.080	481.649
Short Sale Commitments	-	53.976
Commitments for Credit Cards and Banking Services Promotions	16.371	17.609
Tax and Fund Liabilities from Export Commitments	3.998	4.962
Other Irrevocable Commitments	609.465	747.148
<b>Total</b>	<b>10.776.561</b>	<b>11.724.206</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**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:**

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Letters of Guarantee	1.408.577	1.767.899
Letters of Credit	715.101	476.016
Bank Acceptances	108.744	58.547
Other Guarantees	340.487	348.109
<b>Total</b>	<b>2.572.909</b>	<b>2.650.571</b>

**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:**

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
<b>Non-Cash Loans Given for Cash Loan Risks</b>		
<b>Non-Cash Loans</b>	<b>379</b>	<b>1.325</b>
With Original Maturity of One Year or Less	-	-
With Original Maturity of More Than One Year	379	1.325
<b>Other Non-cash Loans</b>	<b>2.572.530</b>	<b>2.649.246</b>
<b>Total</b>	<b>2.572.909</b>	<b>2.650.571</b>

**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”.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**b. Explanations on derivative transactions:**

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

**c. Explanations on credit derivatives and risk 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 September 2017, there are 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 Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 September 2017, the total amount of these lawsuits filed against the Bank is TL 30.231 (31 December 2016: TL 39.143). A total provision of TL 33.433 (31 December 2016: TL 29.466) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favour, with TL 2.530 (31 December 2016: TL 3.047) being for provisions for refunds related to case document charges.

**e. Explanations on fiduciary services rendered on behalf of third parties:**

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

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

**a. Information on interest income:**

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

	Current Period		Prior Period	
	30 September 2017		30 September 2016	
	TL	FC	TL	FC
Short-term Loans	671.367	4.693	744.261	25.083
Medium and Long-Term Loans	329.505	138.417	463.958	141.462
Interest on Loans Under Follow-Up	26.938	-	25.106	-
<b>Total</b>	<b>1.027.810</b>	<b>143.110</b>	<b>1.233.325</b>	<b>166.545</b>

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



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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	Current Period		Prior Period	
	30 September 2017		30 September 2016	
	TL	FC	TL	FC
From the CBRT	213.551	-	-	238
From Domestic Banks	18.819	-	2.747	2.145
From Foreign Banks	2.159	396	2.616	558
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>234.529</b>	<b>396</b>	<b>5.363</b>	<b>2.941</b>

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

	Current Period		Prior Period	
	30 September 2017		30 September 2016	
	TL	FC	TL	FC
Financial Assets Held For Trading	6.446	548	52.721	423
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	105.073	-	67.905	-
Investments Held to Maturity	-	-	-	-
<b>Total</b>	<b>111.519</b>	<b>548</b>	<b>120.626</b>	<b>423</b>

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

As of 30 September 2017 and 30 September 2016, the 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		Prior Period	
	30 September 2017		30 September 2016	
	TL	FC	TL	FC
Banks				
The CBRT	-	-	-	-
Domestic Banks	48	50	545	108
Foreign Banks	62.323	106.379	58.112	125.398
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>62.371</b>	<b>106.429</b>	<b>58.657</b>	<b>125.506</b>

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	Current Period 30 September 2017	Prior Period 30 September 2016
Interest Expenses Given to Subsidiaries and Associates	1.353	2.559

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

The Bank has no interest expense paid on securities issued during the period ended on 30 September 2017 and 30 September 2016.

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

Current Period: 30 September 2017	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
<b>Turkish Lira</b>								
Interbank deposits	-	21.246	-	-	-	-	-	21.246
Saving deposits	-	52.416	186.345	7.375	2.284	1.511	-	249.931
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	45.091	2.162	2.039	19	88	-	49.399
Other deposits	-	21	26	-	-	-	-	47
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>118.774</b>	<b>188.533</b>	<b>9.414</b>	<b>2.303</b>	<b>1.599</b>	-	<b>320.623</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	25.341	67.731	7.687	1.343	512	-	102.614
Interbank deposits	-	21.660	-	-	-	-	-	21.660
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	663	15	20	-	-	698
<b>Total</b>	-	<b>47.001</b>	<b>68.394</b>	<b>7.702</b>	<b>1.363</b>	<b>512</b>	-	<b>124.972</b>
<b>Grand Total</b>	-	<b>165.775</b>	<b>256.927</b>	<b>17.116</b>	<b>3.666</b>	<b>2.111</b>	-	<b>445.595</b>
Prior Period: 30 September 2016	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
<b>Turkish Lira</b>								
Interbank deposits	-	15.800	-	-	-	-	-	15.800
Saving deposits	-	88.027	309.962	13.596	3.553	2.529	-	417.667
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	52.337	23.057	230	218	170	-	76.012
Other deposits	-	98	626	4	-	4	-	732
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>156.262</b>	<b>333.645</b>	<b>13.830</b>	<b>3.771</b>	<b>2.703</b>	-	<b>510.211</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	17.971	54.944	1.911	1.062	500	-	76.388
Interbank deposits	-	71	-	-	-	-	-	71
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	424	15	20	-	-	459
<b>Total</b>	-	<b>18.042</b>	<b>55.368</b>	<b>1.926</b>	<b>1.082</b>	<b>500</b>	-	<b>76.918</b>
<b>Grand Total</b>	-	<b>174.304</b>	<b>389.013</b>	<b>15.756</b>	<b>4.853</b>	<b>3.203</b>	-	<b>587.129</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

**5. Information on interest given on repurchase agreements:**

As of 30 September 2017, the Bank has interest given on repurchase agreements amounting to TL 18.058 (30 September 2016: TL 40.554).

**6. Information on finance lease expenses:**

The Bank has no finance lease expenses during the periods ended on 30 September 2017 and 30 September 2016.

**7. Information on interest given on factoring payables:**

The Bank has no interest given on factoring payables during the period ended on 30 September 2017 and 30 September 2016.

**c. Explanations on dividend income:**

As of 30 September 2017, the share of the Bank in the dividend distribution of its subsidiaries is TL 42.539 (30 September 2016: TL 19.869).

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 30 September 2016</b>
<b>Profit</b>	<b>84.042.969</b>	<b>60.152.802</b>
Capital Market Transactions Income	22.683	51.208
Gain on Derivative Financial Transactions	4.122.013	3.911.745
Foreign Exchange Gains	79.898.273	56.189.849
<b>Loss (-)</b>	<b>84.406.500</b>	<b>60.112.008</b>
Capital Market Transactions Loss	8.462	16.587
Loss on Derivative Financial Transactions	4.470.236	3.892.626
Foreign Exchange Loss	79.927.802	56.202.795
<b>Total (Net)</b>	<b>(363.531)</b>	<b>40.794</b>

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 30 September 2016</b>
Effect of the change in exchange rates on profit/loss	(635.814)	(95.147)
Effect of the change in interest rates on profit/loss	287.591	114.266
<b>Total (Net)</b>	<b>(348.223)</b>	<b>19.119</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 30 September 2016</b>
Reverse of previous years expenses	119.339	155.775
Gain on sale of non-performing loan (*)	66.097	41.327
Gain on sale of assets	916	1.940
Gain on Visa valuaiton	3.555	1.247
Provision for telecommunication expense	2.476	31.843
Other income	12.976	15.670
<b>Total</b>	<b>205.359</b>	<b>247.802</b>

(\*) Includes the amount from the sale of non performing corporate and commercial loans amounting to TL 67.171 for TL 16.797 in 27 March 2017 and the sale of non-performing credit cards and retail loans amounting to TL 540.335 for TL 49.300 in 21 September 2017.

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 30 September 2016</b>
Specific Provisions for Loans and Other Receivables	276.068	415.996
III. Group Loans and Receivables	14.429	33.375
IV. Group Loans and Receivables	66.141	138.173
V. Group Loans and Receivables	195.498	244.448
General Provision Expenses	1.497	-
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	6	1.860
Financial Assets at Fair Value Through Profit or Loss	6	76
Available-for-sale Financial Assets	-	1.784
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Investments Held-to-maturity	-	-
Other	6.977	119.576
<b>Total</b>	<b>284.548</b>	<b>537.432</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 30 September 2016</b>
Personnel Expenses	324.210	421.514
Reserve for Employee Termination Benefits	4.746	16.388
Bank Social Aid Provision Fund Deficit		
Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	16.777	21.594
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	12.481	15.136
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale		
Investees	-	-
Depreciation Expenses on Assets Held for Sale	46	55
Impairment Expenses on Non-Current Assets		
Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	224.857	268.522
Operational Lease Expenses	74.983	116.508
Maintenance License Expenses	26.538	23.740
Maintenance Expenses	21.250	26.457
Communication Expenses	16.219	21.073
Advertisement Expenses	9.601	8.261
Other Expenses	76.266	72.483
Loss on Sales of Assets	5.665	4.086
Tax, Duties, Charges and Funds Expenses	25.119	36.962
Saving Deposit Insurance Fund Expenses	23.302	31.955
Other (*)	77.439	129.090
<b>Total</b>	<b>714.642</b>	<b>945.302</b>

(\*) Amount of TL 77.439 (30 September 2016: TL 129.090) consists of audit fee amounting to TL 20.908 (30 September 2016: 12.374 TL), arbitration committee expenses amounting to TL 5.875 (30 September 2016: TL 19.349) and remaining TL 50.656 of other expenses (30 September 2016: TL 97.367).

**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”.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

As of 30 September 2017, the Bank has tax provision expense of TL 1.424 (30 September 2016: TL 1.643 expense) and deferred tax income amounting to TL 856 (30 September 2016: TL 3.511 TL 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.

**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 998.383 (30 September 2016: TL 730.628), net wage and commission income amounting to TL 253.600 (30 September 2016: TL 286.787) have an important role among the income items in the accounting period ending on 30 September 2017. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank’s interest income are the interests received from loans and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

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

	<b>Current Period 30 September 2017</b>	<b>Prior Period 30 September 2016</b>
Credit Card Transactions	174.728	212.914
Insurance Commissions	28.733	35.590
Commissions Received from Banking Transactions	23.128	28.867
Tefas Fund Platform	7.616	8.573
Other Fee and Commissions	34.208	16.069
<b>Total</b>	<b>268.413</b>	<b>302.013</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

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

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

**1. Increases and decreases occurred after the revaluation of available-for-sale investments:**

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

**2. Information on increases in cash flow hedges:**

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

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

**1. Information on investments available-for-sale:**

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”.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

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

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

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

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

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

**d. Information on cash and cash equivalents:**

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

**e. Additional information:**

None.

**VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP**

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

**Current Period – 30 September 2017:**

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	171	7.404	545.492	-	-
Closing Balance	-	176	4.110	549.016	-	-
Interest and Commissions Income	-	1	2.780	1.346	-	-

**Prior Period - 31 December 2016:**

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	168	20.399	738.493	-	-
Closing Balance	-	171	7.404	545.492	-	-
Interest and Commissions Income (*)	-	2	1.809	1.946	-	-

(\*) The prior period balances present amounts of 30 September 2016.



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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Deposit						
Opening Balance	29.999	40.335	123.094	49.079	14.129	9.252
Closing Balance	22.646	29.999	185.689	123.094	12.361	14.129
Interest expense on deposits (*)	1.353	2.559	-	-	255	404

(\*) The prior period balances present amounts of 30 September 2016.

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
<b>The Fair Value Differences Through Profit and Loss</b>						
Opening Balance	-	-	34.002.552	61.011.511	-	-
Closing Balance	-	-	58.812.406	34.002.552	-	-
Total Profit/Loss(*)	-	-	(874.003)	726.641	-	-
<b>Transactions for Hedging Purposes</b>						
Opening Balance	-	-	559.703	1.003.370	-	-
Closing Balance	-	-	-	559.703	-	-
Total Profit/Loss(*)	-	-	-	454	-	-

(\*) The prior period balances present amounts of 30 September 2016.

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

As of 30 September 2017, payment is made to the Board of Directors and top executives of the Bank amounting to TL 14.940 (30 September 2016 : TL 17.817).

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

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

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

**IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

---

**SECTION SIX**

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

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

As of 30 September 2017, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and review report date 7 November 2017 is presented before to the unconsolidated financial statements.

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

None.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

---

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

HSBC Bank provides services within fields such as Corporate Banking and Investment Banking, Retail Banking and Savings Management and 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**

HSBC Bank's Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of 30 September 2017 HSBC Bank's paid-in capital is TRY 652.290 thousand and its capital structure is as follows:

<b>Shareholder's Name and Surname/Title</b>	<b>Number of shares</b>	<b>Share amount (TL)</b>
Publicly offered	-	-
Non-publicly offered	65.2000.000	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
<b>Total</b>	<b>65.229.000.000</b>	<b>652.290.000</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

---

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

**3. Information on Branches and Personnel**

As of 30 September 2017, the Bank has 85 branches dispersed throughout the country and 4 branches operating abroad (31 December 2016: 86 branches and 4 branches operating abroad). As of 30 September 2017, the number of employees of the Bank is 2.722 (31 December 2016: 3.188).

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

HSBC Bank's Articles of Association had no changes in 1 January – 30 September 2017 period.

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

HSBC Bank A.Ş. Board of Directors as of 30 September 2017:

<b>Name</b>	<b>Title</b>
David Gordon Eldons	Chairman
Hamit Aydoğan	Chairman Deputy
Süleyman Selim Kervancı	Member and CEO
Mehmet Gani Sönmez	Member
Paul Hagen	Member
Ian Simon Jenkins	Member
Edward Micheal Flanders	Member
Lütfiye Yeşim Uçtum	Member
David Anthony Hartnett	Member
James Alasdair Emmett	Member

**6. Audit Committee**

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

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

Audit Committee is in charge and responsible for supervising efficiency and competency of the Bank's internal systems, operation of such systems and accounting and reporting systems within the framework of Banking Law and relevant regulations, and also supervising the consistency of the information provided, making the necessary pre-assessments related to the selection of evaluations and support service institutions by the Board of Directors and regularly following the activities of such institutions, which were selected and made in agreement with the Board of Directors, 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.

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

---

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

**7. Executive Management**

HSBC Bank A.Ş. Executive Management as of 30 September 2017:

<b>Name and Surname</b>	<b>Title</b>	<b>Area of Responsibility</b>
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Necdet Murat Şarsel	Deputy CEO	Credit and Risk
Rüçhan Çandar	Deputy CEO	Technology and Services
Ayşe Yenel	Executive Vice President	Retail Banking
Ali Batu Karaali	Executive Vice President	Treasury and Capital Markets
Burçin Ozan	Executive Vice President	Finance
Hulusi Horozoğlu	Executive Vice President	Global and Investment Banking
Tolga Tüzüner	Head Legal Advisor	Legal
Funda Temoçin Aydoğan (*)	Head of Group	Human Resources

(\*) Per the Board Decision no.13910 dated 24 June 2017, Hale ÖKMEN ATAKLI, resigned from her duty as of 4 August 2017. Per the board decision no:13919 dated 24 June 2017 Funda TEMOÇİN AYDOĞAN has been appointed in the place of Hale ÖKMEN ATAKLI.

**8. HSBC Bank's Financial Power Rating**

According to Moody's Credit Rating Institution's evaluations, HSBC Bank A.Ş.'s rating as of 30 September 2017 is as follows:

<b>Definitions</b>	<b>Rating</b>
Baseline Credit Assessment	b2
Outlook	Negative
Long-term foreign currency deposit rating	Ba3
Long-term TL deposit rating	Ba3
Short-term foreign currency deposit rating	NP
Short-term TL deposit rating	NP
Long-term national scale TL deposit	A2.tr

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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

According to unconsolidated financial statements, for the period ending on 30 September 2017 HSBC Bank's total assets realised at 26,6 billion TL increasing by 1,1% compared to the end of 2016. Credits, which form nearly 62% of the assets, seem to be around 15 billion TL gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around 17 billion TL and formed 68% of liabilities. The balance sheet's unconsolidated items groups' period-end balances on the relevant dates and quarterly changes are shown below.

<b>ASSETS (Thousand TL)</b>	<b>30.09.2017</b>	<b>31.12.2016</b>	<b>Variance</b>
Cash balances with central bank	4.627.787	1.768.920	161,6%
Financial assets at fair value through profit or loss	866.980	979.772	(11,5%)
Banks	1.084.593	919.887	17,9%
Money markets	1.258.071	4.372.998	(71,2%)
Available-for-sale financial assets (net)	1.344.727	1.263.129	6,5%
Loans and receivables (net)	14.568.077	14.154.745	2,9%
Factoring receivables	225.649	476.308	(52,6%)
Subsidiaries (net)	35.023	35.023	-
Hedging derivative financial assets	-	69.454	(100%)
Property and equipment (net)	71.610	81.598	(12,2%)
Intangible assets (net)	146.168	127.701	14,5%
Tax asset	15.022	3.743	301,3%
Assets held for resale and related to discontinued operations (net)	1.729	2.742	(36,9%)
Other assets	380.162	113.396	235,3%
<b>Total</b>	<b>24.625.598</b>	<b>24.369.416</b>	<b>1,1%</b>
<b>LIABILITIES (Thousand TL)</b>	<b>30.09.2017</b>	<b>31.12.2016</b>	<b>Variance</b>
Deposits	16.704.229	15.150.020	10,3%
Trading derivative financial liabilities	662.530	667.258	(0,7%)
Borrowings	2.414.333	2.341.009	3,1%
Money markets	-	531.938	(100%)
Miscellaneous payables	445.980	342.363	30,3%
Other liabilities	198.811	257.407	(22,8%)
Hedging derivative financial liabilities	-	-	-
Provisions	737.338	775.125	(4,9%)
Tax liability	39.060	43.317	(9,8%)
Subordinated loans	1.020.449	1.983.954	(48,6%)
Shareholders' equity	2.402.868	2.277.025	5,5%
<b>Total</b>	<b>24.625.598</b>	<b>24.369.416</b>	<b>1,1%</b>

Information related to HSBC Bank's unconsolidated income statement for 30 September 2017 and 30 September 2016 were shown below with the changes.

<b>STATEMENT OF INCOME (Thousand TL)</b>	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>Variance</b>
Net interest income	998.383	730.628	36,6%
Other operating income	137.967	595.252	(76,8%)
<b>Total operating income/expense</b>	<b>1.136.350</b>	<b>1.325.880</b>	<b>(14,3%)</b>
Other operating expenses (-)	714.642	945.302	(24,4%)
Provision for loan losses and other receivables (-)	284.548	537.432	(47,1%)
Net operating income/loss	137.160	(156.854)	187,4%
Tax provision (-)	2.280	5.154	(55,8%)
<b>NET PROFIT/LOSS FOR THE PERIOD</b>	<b>134.880</b>	<b>(162.008)</b>	<b>183,3%</b>

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

---

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

**Message from David Eldon, Chairman**

The synchronised global economic recovery seen in the last quarter has continued in the third quarter of 2017. HSBC Global Research has recently revised global economic growth forecasts upwards, anticipating that loose global financial conditions will continue to drive economic recovery. Our forecasts for global GDP growth are at 2,8% this year and the next, both up from 2,7% expected earlier, and 2,7% in 2019.

This is predominantly the reflection of the upward revision of the Developed Markets growth forecasts, in particular in the Eurozone thanks to the strong cyclical economic activity, which is expected to have a positive ripple effect on emerging markets. The expected growth rates for the developed world have been revised up to 2,2% from 1,9% for 2017, whilst Emerging Markets growth is forecast to be at a solid 4,4% and 4,6% in 2017 and 2018 respectively before accelerating to 5,0% in 2019; the fastest pace since 2011. Among the EMs, China's growth expectation are tilted upwards at 6,7% in 2017 and 2018 increasing to 6,9% in 2019.

Despite relatively strong economic activity, global and EM inflation is still benign and HSBC expects global inflation to hit 2,6% in 2017, and 2,5% in 2018, revised down from 2,8% and 2,6% respectively, whilst 2019 global inflation is expected to be marginally higher at 2,6%. Meanwhile, EM inflation is revised down to 3,2% from 3,6% in 2017 and 3,3% from 3,4% in 2018. 2019 EM inflation is also projected to be fairly benign at 3,2%.

Turning to Turkey, the economy enjoyed a sharp pick-up in 1H17 thanks to accelerated loan growth driven by the Credit Guarantee Fund. Economic activity expanded by 5,1% YoY in 1H17, and that momentum continued in the third quarter of 2017 according to the monthly economic activity figures. A high single-digit growth rate for the third quarter of 2017 is being generally anticipated partially thanks to the contraction in economic activity in the third quarter last year. CPI inflation was at 11,2% as of September, well above the official inflation target of 5%, reflecting past lira weakness, high food inflation and deteriorating pricing behaviour. Given double-digit inflation, the Turkish Central Bank has kept the monetary policy relatively tight during recent months despite relatively loose global financial conditions abroad.

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

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

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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

---

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

**Message from Süleyman Selim Kervancı , CEO**

Turkish economy expanded 5,1% year on year in the second quarter of 2017, showing a strong recovery in investments and exports, helped by the government's fiscal stimulus measures. Private consumption rose by 3,2% year on year (1,9 pps contribution), whilst government spending fell by 4,3% year on year (-0,6 pps), after growing by 9,7% in the first quarter of 2017. Net exports were strong for the second quarter in a row (1,7 pps), exports rising by 10.5%, while imports rose by 2,3% year on year. Fixed investment growth accelerated sharply from 3,0% to 9,5% year on year (2,9pps). Meanwhile, sales from stocks erased 0.8 pps from the growth in the second quarter of 2017.

During 9M17 the banking sector in Turkey achieved a net income of TL 37.2 bn, with a robust growth of 28,6 % year on year. Total asset growth realised as 20,5% for the same term reaching to TL 3.1 trillion. Loans rose to 1.99 trillion liras as of 30 September 2017, compared to 1.6 trillion liras of loans at the end of Sep17 last year. The total amount of deposits including the FX deposits in Turkish banks reached 1.6 trillion liras at the end of Sep17, marking a 22 % year on year yearly increase. The banking sector's capital adequacy ratio was at 17,2% in Sep17, while the ratio of non-performing loans to total loans stood at 3,15%. The improvement in the banking sector's earnings is driven by the loan growth, lower net cost of risk, and positive fee growth, despite increasing NIM pressure and operating expense growth. Whilst increasing the interest rate for late liquidity window facility by 50 bps to 12,25 % in April, Turkey's central bank kept all its main interest rates unchanged since then and maintained the focus on a tight monetary policy stance until the outlook for consumer inflation improves.

At HSBC, we aim to contribute to the ongoing success of the Turkish economy and banking industry, primarily by leveraging our global connectivity and expertise to offer a unique value proposition to our customers. In recent months, we have continued to execute landmark transactions for a wide range of private and public sector clients through our core Wholesale business lines and product areas, including Global Banking & Markets, Commercial Banking, Global Trade and Receivables Finance, and Global Liquidity Cash Management. Meanwhile, driven by strong client-relationship management in Retail Banking and Wealth, we have continued to grow and develop our premium and wealth management propositions.

2016 has been a restructuring year whereas strategic restructuring programme that was undertaken in 2016 has laid a strong foundation for sustainable, long-term profitability. In 2017, as an investment year, we focused on strengthening system architecture being widely utilised throughout the whole enterprise, as well as on optimising asset portfolio by risk-based approach to ensure that risks are managed more effectively. We can already observe positive impacts of our successfully implemented strategies on our 9M2017 results. Year on year comparisons to the 2016 financials show a business which turned to profitability since the beginning of 2017; the third quarter of 2017 figures show operating income falling 14,3 % from the third quarter of 2016, to TRY 1.136 m and total operating expenses falling 24,4 % from the third quarter of 2016, to TRY 715 m, with a positive jaws despite ongoing restructuring costs, HSBC Turkey recorded a profit before tax of TRY 137.2m as of the third quarter of 2017. Our cost/income ratio was 62,9%.

As of the third quarter of 2017, the loan portfolio decreased 1,5 % over YE16 to TRY 15.4 bn, however it is worth mentioning that despite this small shrink, we concentrated on the loan book in our core client segment with the new strategy and grew it by 35%. The deposits rose 10,3 % over YE16, to TRY 16.7 bn. The HSBC Turkey NPL ratio was 5,8 % at end-September 2017, and the capital adequacy ratio was 17,2 %, above the Banking Regulation and Supervision Agency target minimum ratio of 12%.

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



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

**HSBC BANK A.Ş.**

**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

---

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

**10. Additional Information on Period Between 01.01.2017-30.09.2017**

None.

.....