



**(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE NOTE 3.I)**

**HSBC BANK A.Ş.**

**PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS TOGETHER WITH  
INDEPENDENT AUDITOR'S REVIEW REPORT  
AS AT AND FOR THE NINE MONTH PERIOD  
ENDED 30 SEPTEMBER 2014**

**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi**

**21 November 2014**

*This report consists of 1 page Independent Auditors'  
Review Report and 75 pages interim consolidated  
financial statements and related disclosures and  
footnotes.*



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
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**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REVIEW REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH (SEE NOTE 3.I)**

**INDEPENDENT AUDITORS' REVIEW REPORT**

To the Board of Directors of HSBC Bank Anonim Şirketi,

We have reviewed the consolidated balance sheet of HSBC Bank Anonim Şirketi (the "Parent Bank") and its financial subsidiaries (collectively the "Group") as of 30 September 2014, the consolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the nine-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors, is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the regulations related with the "Accounting and Recording Rules" and "Independent Auditing Standards" of the (Turkish) Banking Law No 5411. These regulations require that we plan and perform the review to obtain reasonable assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, the consolidated financial position of HSBC Bank Anonim Şirketi as at 30 September 2014, and of the results of its consolidated operations and its consolidated cash flows for the six-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and 38 of the Turkish Banking Law No 5411; and other regulations, communiqués and circular announced by the Banking Regulation and Supervision Board and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul  
21 November 2014

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Murat Alsan  
Partner

**Additional paragraph for convenience translation to English:**

As explained in Section 3.I, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.



**CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S.  
AS OF 30 SEPTEMBER 2014**

Address of Bank's Headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli  
34394, İstanbul  
Telephone/Fax : (0212) 376 40 00 / (0212) 366 33 83  
Web-site : www.hsbc.com.tr  
Contact E-mail Address : muhaberat@hsbc.com.tr

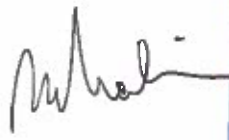
The consolidated interim financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

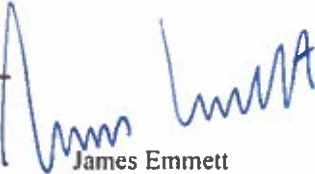
- GENERAL INFORMATION ABOUT PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION
- INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND DISCLOSURES
- LIMITED INDEPENDENT AUDITOR'S REPORT

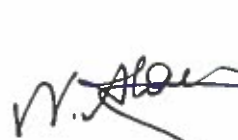
Consolidated financial reports and explanations and footnotes in this report are prepared in accordance with the Regulation on Banks' Accounting Applications and Principles and Procedures Concerning the Preservation of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and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

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


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

  
Brian Robertson  
Chairman

  
James Emmett  
General  
Manager

  
Neslihan Erkazancı  
Financial Reporting  
Assistant General  
Manager

  
Yerihozan KÜL  
Group Head

  
Gilles Denoyel  
Head of  
Audit Comitee

  
Leyla Etker  
Member of  
Audit Comitee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Zeynep Terzioğlu/Senior Manager  
Tel : (0212) 376 4308  
Fax : (0212) 376 49 12

HSBC Bank A.Ş.

Sicil Numarası: İstanbul Ticaret Sicil Müdürlüğü - 268376

Ticaret Ünvanı: HSBC Bank A.Ş.

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

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

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ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1  
HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE PARENT BANK**

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

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (the Bank) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The Bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224 100% of the shares of the Bank is owned by HSBC Bank Plc which is a bank established in England. On 20 September 2001 the 'Share Sales Agreement' regarding the sale of all shares of Demirbank T.A.Ş. which was under in Saving Deposit Insurance Fund was signed by the Bank's main share holder HSBC Bank Plc. According to this agreement the required procedures shall be completed by 31 October 2001 and all shares of the Demirbank T.A.Ş., together with a part of the assets and liabilities shall be transferred to HSBC Bank Plc on 31 October 2001. In 14 December 2001, Demirbank T.A.Ş. and the Bank merged under the name of HSBC Bank Anonim Şirketi and continued its activities. On 19 September 2002, the Bank has signed the share sales agreement with Benkar Tüketici Finansmanı ve Kart Hizmetleri A.Ş. ("Benkar") and acquired all shares of Benkar. On 25 December 2002 according to both Benkar's and the Bank's board of directors' minute all assets and liabilities of Benkar is transferred to the Bank.

**II. EXPLANATION ABOUT THE PARENT BANK'S CAPITAL STRUCTURE, SHAREHOLDERS OF THE 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 2014, the Parent Bank's nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. The share capital of the Bank has been fully paid and registered. All shares of the Bank are owned by HSBC Bank Plc that is located in England and established in accordance with British Law. As of 30 September 2014 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.

Capital structure of the Group comprises of the Group "A" and "B" shares. Board of Directors are chosen among the candidates nominated by group "A" shareholders.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
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 HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2014  
 (Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE, PRESIDENT AND EXECUTIVE VICE PRESIDENTS, SHARES OF THE BANK HELD BY THEM IF ANY

<u>Title</u>	<u>Name</u>	<u>Title</u>	<u>Education</u>
Chairman of the Board:	Brian ROBERTSON	Chairman	Undergraduate
Chairman Deputy of the Board:	Martin SPURLING (*)	Chairman Deputy	Undergraduate
Board of Directors:	James EMMETT Kevin Peter SAWLE Hamit AYDOĞAN (**) Mehmet Gani SÖNMEZ (***) Leyla ETKER Gilles Paul Marie DENOYEL Edward Michael FLANDERS	Member and CEO Member Member Member Member Member Member	Graduate Associate Degree Undergraduate Undergraduate Graduate Graduate Undergraduate
CEO:	James EMMETT (****)	CEO	Graduate
Head of Internal Audit:	Tolunay KANŞAY	Head of Internal Audit	Undergraduate
Chief Assistant General Managers:	Necdet Murat ŞARSEL Ranjit GOKARN	Credit and Risk Technology and Service Groups	Graduate Graduate
Executive Vice Presidents:	Necdet Murat ŞARSEL Virma SÖKMEN Süleyman Selim KERVANCI Taylan TURAN Ali Batu KARAALI Neslihan ERKAZANCI Ali Dündar PARLAR Ranjit GOKARN Şengül DEMİRCAN	Credit and Risk Corporate and Commercial Banking Global and Investment Banking Retail Banking Treasury and Capital Markets Financial Control Internal Systems and Regulations Technology and Service Groups Human Resources	Graduate Undergraduate Graduate Graduate Graduate Undergraduate Undergraduate Graduate Undergraduate
Audit Committee:	Gilles Paul Marie DENOYEL Hamit AYDOĞAN Leyla ETKER	Head of the Audit Committee Member of the Audit Committee Member of the Audit Committee	Graduate Undergraduate Graduate

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

(\*) Martin Spurling appointed as a Chairman Deputy by the Board Decision which under date of 30 June 2014 and Board Decision no. 13152. He took Office at 1 September 2014.

(\*\*) Hamit Aydoğan appointed as a Board Member by the Board Decision which under date of 30 June 2014 and Board Decision no. 13153. He took Office at 1 September 2014.

(\*\*\*) Mehmet Gani Sönmez appointed as a Board Member by the Board Decision which under date of 30 June 2014 and Board Decision no. 13153. He took Office at 1 September 2014.

(\*\*\*\*) James Emmett appointed as a CEO and Board Member by the Board Decision which under date of 30 June 2014 and Board Decision no. 13152. He took Office at 1 September 2014.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I  
HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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

Name/Commercial Title	Share Amounts (Nominal) (**)	Share Percentages	Paid-in Capital (Nominal) (**)	Unpaid Portion
HSBC Bank Plc (*)	652.289.996	99,99%	652.289.996	-

(\*) HSBC Bank Plc is wholly owned by HSBC Holdings Plc and HSBC Holdings Plc is indirect shareholder of the Bank with 99,99 % share.  
(\*\*) The amounts are expressed in full TL.

V. SUMMARY INFORMATION ON THE PARENT BANK'S SERVICE TYPE AND FIELDS OF OPERATION

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

- To accept all kinds of deposits both in Turkish Lira and in foreign currency,
- To provide funds in Turkish Lira and foreign exchange, for own use or as an intermediary,
- To launch cash and non-cash loans to all kind of sectors,
- To perform discount and purchase activities,
- To perform capital and security market transactions, to establish and manage security investment funds in accordance with the relevant regulations,
- To invest in both local or foreign companies as founder partner or shareholder, to perform management and auditing process and to purchase equities, bonds and other securities,
- To act as an intermediary in issue of the bonds and other marketable securities,
- To perform factoring and forfeiting activities,
- To establish social and cultural facilities or to help or participate facilities in the existing.

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

As of 30 September 2014, the Bank has 307 branches dispersed throughout the country and 4 branches operating abroad (31 December 2013: 311 branches and 4 branches operating abroad).

As of 30 September 2014, the number of employees of the Group is 5.709 (31 December 2013: 6.208).

VI. OTHER MATTERS

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

VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE

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

Parent Company "the Bank" and the companies that are consolidated are all named as "Group".

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1**

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2014**

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

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

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

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

None.



**SECTION TWO**

**CONSOLIDATED FINANCIAL STATEMENTS**

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
 ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1  
**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2014 AND 31 DECEMBER 2013**  
**(STATEMENT OF FINANCIAL POSITION)**  
 (Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. BALANCE SHEET	Note (Section Five 1)	Current Period (30/09/2014)			Prior Period (31/12/2013)		
		ASSETS			ASSETS		
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH CENTRAL BANK	(I-a)	322.169	3.018.273	3.340.442	294.916	3.404.357	3.699.273
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	513.989	165.701	679.690	629.702	1.349.134	1.978.836
2 1 Trading Financial Assets		513.989	165.701	679.690	629.702	1.349.134	1.978.836
2 1 1 Government Debt Securities		96.643	11.122	107.765	552.339	9.222	561.561
2 1 2 Share Certificates		-	-	-	-	-	-
2 1 3 Trading Derivative Financial Assets		409.906	154.579	564.485	67.050	1.339.912	1.406.962
2 1 4 Other Marketable Securities		7.440	-	7.440	10.313	-	10.313
2 2 Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2 2 1 Government Debt Securities		-	-	-	-	-	-
2 2 2 Share Certificates		-	-	-	-	-	-
2 2 3 Loans		-	-	-	-	-	-
2 2 4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(I-c)	502.400	1.306.568	1.808.968	511.128	1.155.361	1.666.489
IV. MONEY MARKETS		7.702.371	135.931	7.838.302	6.660.942	126.315	6.787.257
4 1 Interbank Money Market Placements		-	-	-	-	-	-
4 2 Receivables from Istanbul Stock Exchange Money Market		-	135.931	135.931	-	126.315	126.315
4 3 Receivables from Reverse Repurchase Agreements		7.702.371	-	7.702.371	6.660.942	-	6.660.942
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	484.738	-	484.738	2.249.331	-	2.249.331
5 1 Share Certificates		4.225	-	4.225	4.225	-	4.225
5 2 Government Debt Securities		480.513	-	480.513	2.245.106	-	2.245.106
5 3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(I-e)	14.062.091	4.258.992	18.321.083	14.682.218	4.418.795	19.101.013
6 1 Loans		13.650.401	4.258.672	17.909.073	14.330.349	4.418.795	18.749.144
6 1 1 Bank's Risk Group	(VII)	-	5.904	5.904	2.612	11.902	14.514
6 1 2 Government Debt Securities		-	-	-	-	-	-
6 1 3 Other		13.650.401	4.252.768	17.903.169	14.327.737	4.406.893	18.734.630
6 2 Loans Under Follow-Up		1.343.826	13.908	1.357.734	1.192.309	14.088	1.206.397
6 3 Specific Provisions (-)		932.136	13.588	945.724	840.440	14.088	854.528
VII. FACTORING RECEIVABLES		113.435	7.588	121.023	46.347	8.752	55.099
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(I-f)	-	-	-	-	-	-
8 1 Government Debt Securities		-	-	-	-	-	-
8 2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
9 1 Consolidated Based on Equity Method		-	-	-	-	-	-
9 2 Unconsolidated		-	-	-	-	-	-
9 2 1 Financial Investments in Associates		-	-	-	-	-	-
9 2 2 Non-financial Investments in Associates		-	-	-	-	-	-
X. SUBSIDIARIES (Net)	(I-h)	270	-	270	270	-	270
10 1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10 2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
XI. JOINT VENTURES (Net)	(I-i)	-	-	-	-	-	-
11 1 Accounted Based on Equity Method		-	-	-	-	-	-
11 2 Unconsolidated		-	-	-	-	-	-
11 2 1 Financial Joint Ventures		-	-	-	-	-	-
11 2 2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCIAL LEASE RECEIVABLES (Net)	(I-j)	-	-	-	-	-	-
12 1 Financial Lease Receivables		-	-	-	-	-	-
12 2 Operating Lease Receivables		-	-	-	-	-	-
12 3 Other		-	-	-	-	-	-
12 4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(I-k)	49.144	-	49.144	-	-	-
13 1 Fair Value Hedge		-	-	-	-	-	-
13 2 Cash Flow Hedge		49.144	-	49.144	-	-	-
13 3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	108.952	-	108.952	130.081	-	130.081
XV. INTANGIBLE ASSETS (Net)	(I-m)	112.943	-	112.943	107.386	-	107.386
15 1 Goodwill		83.450	-	83.450	83.450	-	83.450
15 2 Other		29.493	-	29.493	23.936	-	23.936
XVI. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-
XVII. TAX ASSET		93.646	-	93.646	46.700	-	46.700
17 1 Current Tax Asset		52.131	-	52.131	46	-	46
17 2 Deferred Tax Asset	(I-o)	41.515	-	41.515	46.654	-	46.654
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	3.603	-	3.603	4.394	-	4.394
18 1 Held for sale Purposes		3.603	-	3.603	4.394	-	4.394
18 2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	247.036	16.908	263.944	198.705	233.858	432.563
<b>TOTAL ASSETS</b>		<b>24.316.787</b>	<b>8.909.961</b>	<b>33.226.748</b>	<b>25.562.120</b>	<b>10.696.572</b>	<b>36.258.692</b>

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

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2014 AND 31 DECEMBER 2013  
(STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET	Note (Section Five II)	Current Period (30/09/2014)			Prior Period (31/12/2013)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES					
1. DEPOSITS	(II-a)	10.596.036	7.895.247	18.491.283	10.302.636	7.276.794	17.579.430
1 1 Deposits of Bank's Risk Group	(VII)	32.205	2.646	34.851	54.857	278	55.135
1 2 Other		10.563.831	7.892.601	18.456.432	10.247.779	7.276.516	17.524.295
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	71.928	319.071	390.999	15.903	1.292.473	1.308.376
III. BORROWINGS	(II-d)	2.899.443	5.431.957	8.331.400	2.879.677	6.775.237	9.654.914
IV. MONEY MARKETS		95.807	-	95.807	2.025.576	-	2.025.576
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)	95.807	-	95.807	2.025.576	-	2.025.576
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5 1 Bills		-	-	-	-	-	-
5 2 Asset Backed Securities		-	-	-	-	-	-
5 3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6 1 Borrower funds		-	-	-	-	-	-
6 2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES		462.261	203.556	665.817	528.218	7.908	536.126
VIII. OTHER LIABILITIES	(II-e)	494.838	90.659	585.497	511.546	45.040	556.586
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCIAL LEASE PAYABLES (Net)	(II-f)	-	-	-	-	-	-
10 1 Financial Lease Payables		-	-	-	-	-	-
10 2 Operational Lease Payables		-	-	-	-	-	-
10 3 Other		-	-	-	-	-	-
10 4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-g)	-	-	-	-	-	-
11 1 Fair Value Hedge		-	-	-	-	-	-
11 2 Cash Flow Hedge		-	-	-	-	-	-
11 3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	(II-h)	461.751	3.160	464.911	454.873	2.306	457.179
12 1 General Loan Loss Provision		374.831	-	374.831	347.299	-	347.299
12 2 Restructuring Provisions		-	-	-	-	-	-
12 3 Reserve for Employee Rights		34.233	-	34.233	31.692	-	31.692
12 4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12 5 Other Provisions		52.687	3.160	55.847	75.882	2.306	78.188
XIII. TAX LIABILITY	(II-i)	47.755	-	47.755	45.737	-	45.737
13 1 Current Tax Liability		47.755	-	47.755	45.737	-	45.737
13 2 Deferred Tax Liability		-	-	-	-	-	-
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS	(II-j)	-	-	-	-	-	-
14 1 Held for Sale Purpose		-	-	-	-	-	-
14 2 Related to Discontinued Operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	(II-k)	-	1.103.915	1.103.915	-	1.027.349	1.027.349
XVI. SHAREHOLDERS' EQUITY	(II-l)	3.049.364	-	3.049.364	3.067.419	-	3.067.419
16 1 Paid-in Capital		652.290	-	652.290	652.290	-	652.290
16 2 Capital Reserves		280.963	-	280.963	245.180	-	245.180
16 2 1 Share Premium		-	-	-	-	-	-
16 2 2 Share Cancellation Profits		-	-	-	-	-	-
16 2 3 Marketable Securities Valuation Differences		(1.543)	-	(1.543)	(27.513)	-	(27.513)
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)		9.813	-	9.813	-	-	-
16 2 9 Value Increase in Asset Held for Sale and Related to Discontinued Operations		-	-	-	-	-	-
16 2 10 Other capital reserves		272.693	-	272.693	272.693	-	272.693
16 3 Profit Reserves		2.170.756	-	2.170.756	2.125.546	-	2.125.546
16 3 1 Legal Reserves		196.002	-	196.002	201.433	-	201.433
16 3 2 Status Reserves		-	-	-	-	-	-
16 3 3 Extraordinary Reserves		1.975.770	-	1.975.770	1.925.936	-	1.925.936
16 3 4 Other Profit Reserves		(1.016)	-	(1.016)	(1.823)	-	(1.823)
16 4 Income or (Loss)		(54.645)	-	(54.645)	44.403	-	44.403
16 4 1 Prior Years' Income or (Loss)		-	-	-	-	-	-
16 4 2 Current Year Income or (Loss)		(54.645)	-	(54.645)	44.403	-	44.403
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>18.179.183</b>	<b>15.047.565</b>	<b>33.226.748</b>	<b>19.831.585</b>	<b>16.427.107</b>	<b>36.258.692</b>

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
 ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1  
 HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
 CONSOLIDATED OFF-BALANCE SHEET AS OF 30 SEPTEMBER 2014 AND 31 DECEMBER 2013  
 (Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (30/09/2014)			Prior Period (31/12/2013)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		50.110.504	70.433.383	120.543.887	53.034.227	77.007.695	130.041.922
<b>I. GUARANTEES AND WARRANTIES</b>	(III-a-2,3)	786.960	2.405.633	3.192.593	424.902	3.220.869	3.645.771
I.1 Letters of Guarantee		786.960	636.655	1.423.615	423.202	716.737	1.139.939
I.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
I.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
I.1.3 Other Letters of Guarantee		786.960	636.655	1.423.615	423.202	716.737	1.139.939
I.2 Bank Acceptances		-	734.437	734.437	-	1.212.692	1.212.692
I.2.1 Import Letter of Acceptance		-	719.598	719.598	-	1.206.904	1.206.904
I.2.2 Other Bank Acceptances		-	14.839	14.839	-	5.788	5.788
I.3 Letters of Credit		-	676.152	676.152	1.700	773.310	775.010
I.3.1 Documentary Letters of Credit		-	463.852	463.852	-	543.307	543.307
I.3.2 Other Letters of Credit		-	212.300	212.300	1.700	228.003	229.703
I.4 Refinancing Given as Guarantee		-	-	-	-	-	-
I.5 Endorsements		-	-	-	-	-	-
I.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
I.5.2 Other Endorsements		-	-	-	-	-	-
I.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
I.7 Factoring Guarantees		-	-	-	-	-	-
I.8 Other Guarantees		-	355.041	355.041	-	510.061	510.061
I.9 Other Collaterals		-	3.348	3.348	-	8.069	8.069
<b>II. COMMITMENTS</b>	(III-a-1)	21.389.597	19.522.579	40.912.176	14.138.123	9.379.324	23.517.446
II.1 Irrevocable Commitments		21.389.597	19.522.579	40.912.176	14.138.123	9.379.324	23.517.446
II.1.1 Asset Purchase and Sale Commitments		12.739.912	17.676.076	30.415.988	5.868.259	8.886.247	14.754.506
II.1.2 Deposit Purchase and Sales Commitments		-	1.826.360	1.826.360	-	492.890	492.890
II.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
II.1.4 Loan Granting Commitments		626.193	1.141	627.334	296.202	-	296.202
II.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
II.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
II.1.7 Commitments for Cheques		580.430	-	580.430	609.967	-	609.967
II.1.8 Tax and Fund Liabilities from Export Commitments		5.157	-	5.157	3.931	-	3.931
II.1.9 Commitments for Credit Card Limits		6.336.101	-	6.336.101	6.469.426	-	6.469.426
II.1.10 Commitments for Credit Cards and Banking Services Promotions		-	16.978	16.978	-	15.465	15.465
II.1.11 Receivables from Short Sale Commitments of Marketable Securities		33.804	9.401	43.205	-	-	-
II.1.12 Payables for Short Sale Commitments of Marketable Securities		33.804	9.401	43.205	-	-	-
II.1.13 Other Irrevocable Commitments		1.017.418	200	1.017.618	874.872	187	875.059
II.2 Revocable Commitments		-	-	-	-	-	-
II.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
II.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(III-b)	27.933.947	48.505.171	76.439.118	38.471.203	64.407.502	102.878.705
III.1 Hedging Derivative Financial Instruments		1.205.019	1.250.399	2.455.418	-	-	-
III.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
III.1.2 Transactions for Cash Flow Hedge		1.205.019	1.250.399	2.455.418	-	-	-
III.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
III.2 Trading Transactions		26.728.928	47.254.772	73.983.700	38.471.203	64.407.502	102.878.705
III.2.1 Forward Foreign Currency Buy/Sell Transactions		2.533.431	3.373.285	5.906.716	2.638.403	5.311.614	7.950.019
III.2.1.1 Forward Foreign Currency Transactions-Buy		1.487.167	1.452.987	2.940.154	1.048.572	2.957.750	4.006.322
III.2.1.2 Forward Foreign Currency Transactions-Sell		1.046.264	1.920.298	2.966.562	1.589.831	2.353.864	3.943.697
III.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		22.380.935	34.823.559	57.204.494	32.483.040	46.972.344	79.455.384
III.2.2.1 Foreign Currency Swap-Buy		9.717.974	14.082.184	23.800.158	14.666.978	21.348.422	36.015.400
III.2.2.2 Foreign Currency Swap-Sell		12.662.961	10.700.061	23.363.022	17.816.062	18.160.268	35.976.330
III.2.2.3 Interest Rate Swap-Buy		-	5.020.657	5.020.657	-	3.731.828	3.731.828
III.2.2.4 Interest Rate Swap-Sell		-	5.020.657	5.020.657	-	3.731.828	3.731.828
III.2.3 Foreign Currency, Interest rate and Securities Options		1.814.562	2.313.554	4.128.116	3.349.764	4.974.584	8.324.348
III.2.3.1 Foreign Currency Options-Buy		907.281	1.156.775	2.064.056	1.674.884	2.487.290	4.162.170
III.2.3.2 Foreign Currency Options-Sell		907.281	1.156.775	2.064.056	1.674.884	2.487.290	4.162.170
III.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
III.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
III.2.3.5 Securities Options-Buy		-	-	-	-	-	-
III.2.3.6 Securities Options-Sell		-	-	-	-	-	-
III.2.4 Foreign Currency Futures		-	-	-	-	-	-
III.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
III.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
III.2.5 Interest Rate Futures		-	6.457.644	6.457.644	-	6.853.314	6.853.314
III.2.5.1 Interest Rate Futures-Buy		-	3.228.822	3.228.822	-	3.426.657	3.426.657
III.2.5.2 Interest Rate Futures-Sell		-	3.228.822	3.228.822	-	3.426.657	3.426.657
III.2.6 Other		-	286.734	286.734	-	295.646	295.646
<b>IV. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		52.324.095	77.349.203	129.673.298	53.267.099	69.795.711	123.062.809
<b>IV. ITEMS HELD IN CUSTODY</b>		22.645.881	1.512.630	24.178.511	22.294.087	1.527.810	23.821.897
IV.1 Customer Fund and Portfolio Balances		1.390.728	-	1.390.728	1.402.913	-	1,402,913
IV.2 Investment Securities Held in Custody		16.086.452	1.223.527	17.309.979	16.199.281	1.039.432	17.238.713
IV.3 Checks Received for Collection		1.956.095	212.122	2.168.217	2.148.173	257.634	2,405,807
IV.4 Commercial Notes Received for Collection		81.083	-	81.083	67.060	-	67,060
IV.5 Other Assets Received for Collection		-	5.944	5.944	-	6.673	6,673
IV.6 Assets Received for Public Offering		-	-	-	-	-	-
IV.7 Other Items Under Custody		3.151.523	71.037	3.222.560	2.476.660	224.074	2,700,734
IV.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		12.306.640	13.367.629	25.674.269	14.064.235	11.687.638	25,751,873
V.1 Marketable Securities		204.466	9.833	214.299	2.131.837	13.661	2,145,498
V.2 Guarantee Notes		683.730	1.811.073	2,494.803	722.091	1,739,020	2,461,111
V.3 Commodity		240	5.010	5.250	1.340	4.703	6,043
V.4 Warranty		-	-	-	-	-	-
V.5 Immovable		8.745.055	2.730.340	11,475,395	8.530.128	3.151.276	11,681,404
V.6 Other Pledged Items		2.671.149	8.811.373	11,482,522	2,674.839	6,778.978	9,453,817
V.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		17.351.574	62.468.944	79,820,518	16,908,777	56,580,261	73,489,038
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		102.434.599	147.782.586	250,217,185	106,301,326	146,801,405	253,104,731

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I  
HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS ENDED  
30 SEPTEMBER 2014 AND 30 SEPTEMBER 2013  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))**

III.	INCOME STATEMENTS	Note (Section Five IV)	Current Period (01/01/2014 - 30/09/2014)	Prior Period (01/01/2013 - 30/09/2013)	Current Period (01/01/2014 - 30/09/2014)	Prior Period (01/01/2013 - 30/09/2013)
	<b>INCOME AND EXPENSE ITEMS</b>					
<b>I.</b>	<b>INTEREST INCOME</b>					
1 1	Interest on Loans	(IV-a)	1.932.024	1.680.501	610.228	543.540
			1.407.414	1.332.487	474.969	439.804
1 2	Interest Received from Reserve Requirements		-	-	-	-
1 3	Interest Received from Banks	(IV-a-2)	72.496	37.213	17.034	14.138
1 4	Interest Received from Money Market Transactions		335.756	80.489	89.165	25.430
1 5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	79.048	198.369	16.016	52.952
1 5 1	Trading Financial Assets		14.460	27.061	3.816	13.290
1 5 2	Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1 5 3	Available-for-sale Financial Assets		64.588	171.308	12.200	39.662
1 5 4	Held to Maturity Investments		-	-	-	-
1 6	Financial Lease Income		-	-	-	-
1 7	Other Interest Income		37.310	31.943	13.044	11.216
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	(IV-b)	1.032.492	677.959	319.320	239.855
2 1	Interest on Deposits (-)	(IV-b-4)	753.929	439.089	242.717	160.858
2 2	Interest on Funds Borrowed (-)	(IV-b-1)	241.235	214.719	72.191	69.024
2 3	Interest Expense on Money Market Transactions (-)	(IV-b-5)	31.792	19.838	2.985	9.914
2 4	Interest on Securities Issued (-)	(IV-b-3)	-	-	-	-
2 5	Other Interest Expenses (-)		5.536	4.313	1.427	59
<b>III.</b>	<b>NET INTEREST INCOME (I+II)</b>		899.532	1.002.542	290.908	303.685
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>					
4 1	Fees and Commissions Received		520.934	461.432	177.586	163.494
4 1 1	Non-Cash Loans		15.222	14.841	4.737	5.545
4 1 2	Other		543.780	482.514	184.059	169.989
4 2	Fees and Commissions Paid (-)		38.068	35.923	11.210	12.040
4 2 1	Non-Cash Loans (-)		420	433	132	149
4 2 2	Other (-)		37.648	35.490	11.078	11.891
<b>V.</b>	<b>DIVIDEND INCOME</b>	(IV-c)	-	15	-	15
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	(IV-d)	(142.060)	(49.789)	12.570	(24.768)
6 1	Trading Gains/(Losses) on Securities		10.218	6.661	3.992	(2.066)
6 2	Derivative Financial Transactions Gains/(Losses)		72.461	(58.016)	219.367	(26.315)
6 3	Foreign Exchange Gains/(Losses)		(224.739)	1.566	(210.789)	3.613
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(IV-e)	125.788	24.810	25.205	5.689
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		1.404.194	1.439.010	506.269	448.115
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(IV-f)	440.538	356.215	146.269	103.602
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(IV-g)	1.006.719	949.413	324.880	326.826
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		(43.063)	133.382	35.120	17.687
<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>		(43.063)	133.382	35.120	17.687
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (*)</b>	(IV-h)	(11.582)	(50.818)	(19.190)	(3.523)
16 1	Current Tax Provision	(IV-i)	(7.981)	(29.268)	(2.834)	4.429
16 2	Deferred Tax Provision		(3.601)	(21.550)	(16.356)	(7.952)
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV+XVI)</b>	(IV-j)	(54.645)	82.564	15.930	14.164
<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>		(54.645)	82.564	15.930	14.164
23 1	Group's Profit/Loss		(54.645)	82.564	15.930	14.164
23 2	Minority Shares Profit/Loss		-	-	-	-
	Earnings/Loss per Share		(0,00084)	0,00126	0,00024	0,00022

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

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER  
SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED

30 SEPTEMBER 2014 AND 30 SEPTEMBER 2013

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

<b>IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>			
<b>INCOME AND EXPENSE ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>		<b>Current Period (30/09/2014)</b>	<b>Prior Period (30/09/2013)</b>
<b>I.</b>	<b>ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>32.463</b>	<b>(75.135)</b>
<b>II.</b>	<b>PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	-	-
<b>III.</b>	<b>INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV.</b>	<b>CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V.</b>	<b>PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)</b>	<b>12.266</b>	-
<b>VI.</b>	<b>PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	-	-
<b>VIII.</b>	<b>OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	<b>1.009</b>	-
<b>IX.</b>	<b>DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>	<b>(9.148)</b>	<b>15.027</b>
<b>X.</b>	<b>NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>36.590</b>	<b>(60.108)</b>
<b>XI.</b>	<b>CURRENT YEAR PROFIT/LOSS</b>	<b>(54.645)</b>	<b>82.564</b>
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	(2.066)	(12.005)
11.2	Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	231	-
11.3	Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4	Other	(52.810)	94.569
<b>XII.</b>	<b>TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)</b>	<b>(18.055)</b>	<b>22.456</b>

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1  
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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED  
30 SEPTEMBER 2013**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																	
	Note	Paid-up	Adjustment	Share	Share	Legal	Statutory	Extraordinary	Other	Current Period	Marketable	Receivable	Receivable	Hedging	Receivable	Minority	Total
	on	Capital	in Paid-up	Capital	Capital	Reserves	Reserves	Reserves	Reserves	Profit/(Loss)	Securities	Intangible	Intangible	Funds	Intangible	Shares	Equity
	the		to														
	Balance																
I.	30 September 2013	652,290	-	-	197,558	-	-	1,753,401	272,693	176,400	35,769	-	-	-	-	3,088,121	3,088,121
II.	Balance at the Beginning of the Period																
2.1	Correction of Errors																
2.2	Effect of the Changes in Accounting Policies																
III.	Adjusted Balance (1+II)	652,290	-	-	197,558	-	-	1,753,401	272,693	176,400	35,769	-	-	-	-	3,088,121	3,088,121
IV.	Increases/Decreases due to the Merger																
V.	Marketable Securities Valuation Differences																
VI.	Hedging Transactions Funds (Effects of Par)																
6.1	Cash Flow Hedge																
6.2	Foreign Investment Hedge																
VII.	Property and Equipment Revaluation Differences																
VIII.	Intangible Fixed Assets Revaluation Differences																
IX.	Minority Shares from Investments in Associates, Subsidiaries and Joint Ventures																
X.	Foreign Exchange Differences																
XI.	Changes due to the Disposal of Assets																
XII.	Changes due to the Reclassification of Assets																
XIII.	Effect of the Changes in Investment in Associates' Equity in the Bank's Equity																
XIV.	Capital Increase																
14.1	Cash Increase																
14.2	Intangible Increase																
XV.	Share Premium																
XVI.	Share Contributions																
XVII.	Paid to-Capital Adjustment Differences																
XVIII.	Other																
XIX.	Current Year Income or Loss									81,564						81,564	
XX.	Profit Distribution									(176,400)						(176,400)	
20.1	Dividend Paid																
20.2	Transfer to Reserves																
20.3	Other																
	Balance at the End of the Period (III+IV+V+...+XX)	652,290	-	-	201,433	-	-	1,925,936	272,693	81,564	(74,339)	-	-	-	-	3,110,577	3,110,577

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

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30 SEPTEMBER 2014**  
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<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																		
	Note (See Note 17.1)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Capital Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current 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 Field for Sale/Disc. Operatic.	Minority Share Except Paid Equity	Minority Shares	Total Equity
I.	30 September 2014	652,790	-	-	-	201,433	-	1,925,936	270,879	41,403	(27,511)	-	-	-	-	3,067,419	-	3,067,419
II.	Balance at the Beginning of the Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Increase/Decrease due to the Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	25,970	-	-	-	-	25,970	-	25,970
V.	Hedging Transactions Funds (Effective Parts)	-	-	-	-	-	-	-	-	-	-	9,812	-	9,812	-	9,812	-	9,812
VI.	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	9,812	-	9,812	-	9,812	-	9,812
VII.	Foreign in currency Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Valuation Differences due to Revaluation of Property and Equipment(-)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Valuation Differences due to Revaluation of Intangible Assets(-)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Foreign Exchange Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Cash Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Internal Reversions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Paid-in-Capital Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XX.	Other	-	-	-	-	-	-	-	807	-	-	-	-	-	-	807	-	807
XXI.	Current Year Income or Loss	-	-	-	-	(54,645)	-	-	-	(54,645)	-	-	-	-	-	(54,645)	-	(54,645)
XXII.	Profit Distribution	-	-	-	-	(41,603)	-	-	-	(41,603)	-	-	-	-	-	(41,603)	-	(41,603)
XXIII.	Dividend Paid	-	-	-	-	(5,431)	-	-	-	(5,431)	-	-	-	-	-	(5,431)	-	(5,431)
XXIV.	Transfers to Reserves	-	-	-	-	-	-	49,814	-	49,814	-	-	-	-	-	49,814	-	49,814
XXV.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balance at the End of the Period (I+II+...+XXV)	652,790	-	-	-	196,002	-	1,975,770	271,677	(54,645)	(1,543)	-	9,812	-	-	3,049,562	-	3,049,562

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



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 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED  
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 (Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period (30/09/2014)	Prior Period (30/09/2013)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating profit before changes in operating assets and liabilities	146 118	430 478
1.1.1	Interest received	1 971 253	1 637 621
1.1.2	Interest paid	(909 265)	(603 767)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	554 708	497 355
1.1.5	Other income	125 788	26 970
1.1.6	Collections from previously written-off loans and other receivables	144 395	101 916
1.1.7	Payments to personnel and service suppliers	(471 322)	(442 323)
1.1.8	Taxes paid	(51 784)	(62 044)
1.1.9	Other	(1 217 655)	(725 250)
1.2	Changes in operating assets and liabilities	(719 916)	4 860 787
1.2.1	Net (decrease)/increase in trading securities	512 485	301 354
1.2.2	Net increase/(decrease) in fair value through profit/loss financial assets	-	-
1.2.3	Net increase/(decrease) in banks	18 471	144 384
1.2.4	Net increase/(decrease) in loans	404 801	(3 556 461)
1.2.5	Net increase/(decrease) in other assets	451 101	(969 590)
1.2.6	Net increase/(decrease) in bank deposits	(554 523)	118 530
1.2.7	Net (decrease)/increase in other deposits	1 448 298	3 007 843
1.2.8	Net (decrease)/increase in funds borrowed	(1 357 612)	4 413 032
1.2.9	Net increase/(decrease) in payables	-	-
1.2.10	Net (decrease)/increase in other liabilities	(1 642 937)	1 401 695
I.	Net cash provided from banking operations	(573,798)	5,291,265
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
II.	Net cash provided from investing activities	1,738,076	(381,007)
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	(9 741)	(33 473)
2.4	Disposals of property and equipment	4 380	10 856
2.5	Cash paid for purchase of investments available-for-sale	(3 619 585)	(6 841 203)
2.6	Cash obtained from sale of investments available-for-sale	5 378 154	6 482 813
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	-	-
2.9	Other	(15 132)	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
III.	Net cash provided from financing activities	(5)	-
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	(5)	-
3.5	Payments for finance leases	-	-
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	72,928	(63)
V.	Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	1,237,201	4,910,195
VI.	Cash and cash equivalents at beginning of the period	(IV)	8,875,763
VII.	Cash and cash equivalents at end of the period	(IV)	10,112,964

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The consolidated financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Retention of Documents" ("Regulation") published in the Official Gazette No. 26333 dated 1 November 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Turkish Accounting Standard Boards ("TASB") and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish accounting Standards" or "TAS") published by the Turkish Accounting Standards Board ("TASB"), and other regulations, communiqués and circular announced by the Banking Regulation and Supervision Board and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles. The format and the details of the publicly announced consolidated financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated 28 June 2012, additions and changes in the related to communiqué.

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of TASB has been abrogated and Public Oversight, Accounting and Auditing Standards Association ("Board") has been established. Financial Statements has been prepared based on Turkish Accounting Standards / Turkish Financial Reporting Standards and additions and comments ("TAS/TFRS") related to this which are become effective by Public Oversight, Accounting and Auditing Standards Association.

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

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

The 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 consolidated financial statements:**

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

- c. **Explanation for convenience translation into English:**

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which the complying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

The Group applies sophisticated methods of the Group in daily market risk managing and control activities. In measuring the market risk and determining limits, with historical simulation method "Value at Risk" ("VaR") approach is being applied. For the portfolios which are subject to market risk; product and portfolio based interest rate, daily and monthly maximum loss limits regarding the exchange rate and share price risk, Value at Risk limits, maturity limits and quantity limits are being applied. The limit usages are being monitored through various checkpoints and reported to the top management. Risk monitoring and control activities are being performed by independent units. For the portfolios which are subject to the interest risks, sensitivity of the changes in interest rates are being analyzed by "Present Value Basis Points" method ("PVBP") and relevant limits are being determined.

Product and portfolio based various yield curve scenarios, stress scenarios, liquidity, gap, and volatility analysis have been performed regarding the control, monitor and management of the market risks. The purpose of these analyses are to be prepared for the possible risks and to make quick decisions regarding the targeted profitability.

These analyses, limit usages and controls are being discussed in monthly asset-liability committee meetings and decisions are being made in these meetings. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank's exchange rates. Gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses", except for foreign currency non-performing loans and other foreign currency denominated non monetary assets and liabilities.

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

The Group has no investments in associates as of 30 September 2014. HSBC Yatırım that is fully owned by the Bank, HSBC Portföy that is the subsidiary of HSBC Yatırım and HSBC Portföy that is the subsidiary of the HSBC Yatırım are taken into consolidation scope in accordance with the procedures listed in the "Communiqué related to the Regulation on the Preparation of the Financial Statements of the Banks" and the "Turkish Accounting Standard for Consolidated and Separate Financial Statements" ("TAS 27") published in the Official Gazette No.26340 dated 8 November 2006.

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

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

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

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

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

The Group categorizes its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" and "Held-to-maturity". Financial assets mentioned above are recognised at the transaction date. The appropriate classification of financial assets of the Bank is determined at the trade dates.

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

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

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

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

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

**c. Loans and receivables:**

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

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

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**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 recognised at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognised in the income statement. As of 30 September 2014 and 31 December 2013, the Group has no investment securities held-to-maturity.

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

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS**

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

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

Securities subject to repurchase agreements are classified as "Financial assets at fair value difference through profit or loss" and "Available-for-sale securities" in the balance sheet according to the investment purposes and measured according to the portfolio of the Group to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. As of 30 September 2014 and 31 December 2013, funds given against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the effective interest rate method. The Group has no securities lending transactions. The Parent Bank has amounting to TL 50.000 nominal government bonds as of 30 September 2014 that the Parent Bank has given as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş. (As of 31 December 2013 the Parent Bank has given government bonds as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş TL 50.000 nominal).

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

As of 30 September 2014 and 31 December 2013, the Group has no discontinued operations. Property and equipment held-for-sale consist of tangible assets that were acquired due to nonperforming receivables, and are accounted in the consolidated financial statements in accordance with "Communiqué Regarding the Principles and Procedures for the Disposals of Immovable and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2006, No.26333 and classified as assets held for sale.

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

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

The Parent Bank purchased Benkar in the year 2002. The useful life of the goodwill arising out of the merger of Benkar with the Parent Bank on 26 December 2002 is determined as 10 years. Therefore, it is amortised until the end of October 2006 and, amortised with 10% of amortization rate using the straight-line method. With Article 4 of the "Communiqué on Principles and Procedure of Accounting Principles of Banks and Preservation of Documents" which was published by BRSA in the Official Gazette No. 26333 dated 1 November 2006, the financial statements are prepared based on the Turkish Accounting Standards. Goodwill is tested annually or more frequently when there are indicators for impairment and carried at cost less accumulated impairment losses, if any, in line with "Turkish Accounting Standard for Impairment on Assets" ("TAS 36").

Amortization of the other intangible fixed assets are based on the useful lives and amortised between the rates of 10% and 33,3% using the straight-line method.

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

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

**XVI. EXPLANATIONS ON CONTINGENT ASSETS**

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

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

Obligations related to employment termination and vacation rights are accounted for in accordance with "Employee Rights Standard" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet. Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Group arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 4,76% (31 December 2013: 4,18%)

As of 30 September 2014, actuarial difference amounted to TL 1.016 loss (31 December 2013: TL 1.823 loss) is recognized under prior years' income in the financial statements.

All actuarial gains and losses are recognized under equity in accordance with revised TAS 19.

**XVIII. EXPLANATIONS ON TAXATION**

**a. Current Tax:**

According to the article no. 32 of "Corporate Tax Law" No. 5520 was published in the Official Gazette, No. 26205 dated 21 June 2006, the corporate tax rate is 20%. Corporate tax is calculated on the total income of the Group after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed. Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. An increase in capital via issuing bonus 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 following month after the closing of the accounting year to which they relate.

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

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

The tax applications for foreign branches;

*Turkish Republic of Northern Cyprus ("KKTC")*

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 Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these consolidated 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 consolidated financial statements in accordance with TAS 12.

**c. Transfer Pricing:**

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

**XIX. EXPLANATIONS ON BORROWING**

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the consolidated financial statements enclosed, foreign currency borrowings are translated according to the Parent Bank's period end counter buying exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the consolidated financial statements. As of 30 September 2014 and 31 December 2013, the Group has no marketable securities issued and convertible bonds.

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

As of 30 September 2014 and 31 December 2013, the Group has no issued share certificates.



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

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

**XXII. EXPLANATIONS ON GOVERNMENT GRANTS**

As of 30 September 2014 and 31 December 2013, the Group has no government grants.

**XXIII. EXPLANATIONS ON OPERATING SEGMENTS**

Segment reporting is presented in Note X of Section Four.

**XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION**

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

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

**XXV. EARNINGS PER SHARE**

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

	Current Period 30 September 2014	Prior Period 30 September 2013
Net Profit for the Period	(54.645)	82.564
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	(0,00084)	0,00126

(\*) Amounts are expressed in full TL.

**XXVI. CASH AND CASH EQUIVALENTS**

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

**XXVII. RELATED PARTIES**

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

**XXVIII. RECLASSIFICATIONS**

There are no adjustments to the prior year consolidated financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 30 September 2014 and 31 December 2013 financials.

**XXIX. OTHER MATTERS**

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT

I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO

- a. As of 30 September 2014, the Group's and the Parent Bank's capital adequacy ratios are orderly 15,78% and 15,68% (31 December 2013: 15,06% and 14,92 %). This rate is higher than the minimum rate required by the related regulation.

b. Risk measurement methods for the calculation of the consolidated capital adequacy ratio:

The method used for risk measurement in determining consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks ", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published in the Official Gazette dated 28 June 2012 numbered 28337 and the "Communiqué on Equities of Banks" published on 1 November 2006 in the Official Gazette numbered 26333. Standard method is used for the calculation of market risk and basic indicator method is used for the calculation of operational risk.

Capital adequacy ratio is calculated based on total capital requirements needed for credit risk, market risk and operational risk. Credit risk is calculated by holding risk-weighted assets and non-cash loans subject to risk-weights in the relevant legislation and taking risk mitigation techniques into account. The following tables show the details of risk-weighted assets which constitute the basis for the Group's and the Parent Bank's capital adequacy ratio and equity calculations.

As of 31 December 2013, Comprehensive Financial Collateral method was introduced instead of Simple Financial Collateral method.

c. Information related to consolidated capital adequacy ratio:

30 September 2014  
 Consolidated - Risk Weights

	0%	10%	20%	50%	75%	100%	150%	200%	250%
<b>Credit Risk Based Amount</b>	4.244.159	-	865.549	3.280.669	6.106.666	11.147.408	1.375.479	1.586.048	159
<b>Risk Classes</b>									
Claims on sovereigns and Central Banks	3.510.364	-	-	10	-	-	122.595	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	850.091	1.487.752	-	201.243	15.797	-	-
Claims on corporates	175.316	-	-	-	-	9.708.765	-	-	-
Claims included in the regulatory retail portfolios	69.245	-	-	-	6.106.666	743.793	-	-	-
Claims secured by residential property	-	-	-	1.787.827	-	-	-	-	-
Past due loan	192	-	-	5.080	-	317.376	94.480	-	-
Higher risk categories decided by the Board	54.522	-	-	-	-	-	1.142.607	1.586.048	159
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	434.520	-	15.458	-	-	176.231	-	-	-

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

31 December 2013  
 Consolidated - Risk Weights

	0%	10%	20%	50%	75%	100%	150%	200%	250%
<b>Credit Risk Based Amount</b>	<b>6.358.555</b>	-	950.371	3.477.785	5.888.332	12.046.546	1.119.870	2.109.883	60.113
<b>Risk Classes</b>									
Claims on sovereigns and Central Banks	5.561.087	-	-	-	-	-	109.479	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	950.348	1.685.901	-	203.862	1.414	-	-
Claims on corporates	249.563	-	-	-	-	10.171.927	-	-	-
Claims included in the regulatory retail portfolios	40.117	-	-	-	5.888.332	1.217.410	-	-	-
Claims secured by residential property	-	-	-	1.786.684	-	-	-	-	-
Past due loan	150	-	-	5.200	-	273.818	75.020	-	-
Higher risk categories decided by the Board	45.557	-	-	-	-	-	933.957	2.109.883	60.113
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	462.081	-	23	-	-	179.529	-	-	-

30 September 2014  
 The Parent's Bank - Risk Weights

	0%	10%	20%	50%	75%	100%	150%	200%	250%
<b>Credit Risk Based Amount</b>	<b>4.244.159</b>	-	865.549	3.280.668	6.104.458	11.155.704	1.375.476	1.586.048	159
<b>Risk Classes</b>									
Claims on sovereigns and Central Banks	3.510.364	-	-	10	-	-	122.594	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	850.091	1.487.752	-	184.128	15.797	-	-
Claims on corporates	175.316	-	-	-	-	9.708.766	-	-	-
Claims included in the regulatory retail portfolios	69.245	-	-	-	6.104.458	743.793	-	-	-
Claims secured by residential property	-	-	-	1.787.826	-	-	-	-	-
Past due loan	192	-	-	5.080	-	317.376	94.480	-	-
Higher risk categories decided by the Board	54.522	-	-	-	-	-	1.142.605	1.586.048	159
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	434.520	-	15.458	-	-	201.641	-	-	-

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

	31 December 2013								
	The Parent's Bank - Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
<b>Credit Risk Based Amount</b>	<b>6.358.555</b>	<b>-</b>	<b>950.371</b>	<b>3.477.785</b>	<b>5.883.598</b>	<b>12.068.009</b>	<b>1.119.870</b>	<b>2.109.883</b>	<b>60.113</b>
<b>Risk Classes</b>									
Claims on sovereigns and Central Banks	5.561.087	-	-	-	-	-	109.479	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	950.348	1.685.901	-	194.943	1.414	-	-
Claims on corporates	249.563	-	-	-	-	10.171.927	-	-	-
Claims included in the regulatory retail portfolios	40.117	-	-	-	5.883.598	1.217.410	-	-	-
Claims secured by residential property	-	-	-	1.786.684	-	-	-	-	-
Past due loan	150	-	-	5.200	-	273.818	75.020	-	-
Higher risk categories decided by the Board	45.557	-	-	-	-	-	933.957	2.109.883	60.113
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	462.081	-	23	-	-	209.911	-	-	-

d. Summary information related to consolidated capital adequacy ratio:

	Current Period 30 September 2014 Consolidated	Current Period 30 September 2014 The Parent's Bank
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	1.822.126	1.822.656
Capital obligation for market risk (II)	73.798	73.870
Capital obligation for operational risk (III)	254.042	245.937
Shareholders' Equity	4.242.120	4.199.128
Shareholders' Equity / ((I+II+III)*12,5*100)	15,78	15,68
Core Capital/((I+II+III) *12,5*100)	10,87	10,75
Tier I Capital/(( I+II+III) *12,5*100)	10,87	10,75
	Prior Period 31 December 2013 Consolidated	Prior Period 31 December 2013 The Parent's Bank
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	1.955.329	1.956.762
Capital obligation for market risk (II)	90.022	90.220
Capital obligation for operational risk (III)	229.154	222.947
Shareholders' Equity	4.282.776	4.232.559
Shareholders' Equity / ((I+II+III)*12,5*100)	15,06	14,92
Core Capital/((I+II+III) *12,5*100)	(*)	(*)
Tier I Capital/(( I+II+III) *12,5*100)	(*)	(*)

(\*) Equity calculation has been changed with "Regulation on Equity of Banks" which has become effective as of 1 January 2014. The information which presented as prior period calculated in accordance with the abrogated Regulation.

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders' equity items:

Current Period

TIER I CAPITAL

Paid-in Capital to be Entitled for Compensation after All Creditors	652.290
Share Premium	-
Share Cancellation Profits	-
Legal Reserves	2.444.465
Other Comprehensive Income according to TAS	7.254
Profit	(54.645)
Net Current Period Profit	(54.645)
Prior Period Profit	-
Provisions for Possible Losses	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Tier I Capital Before Deductions</b>	<b>3.049.364</b>
<b>Deductions From Tier I Capital</b>	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-
Leasehold Improvements on Operational Leases (-)	14.974
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	112.943
Net Deferred tax assets / liabilities (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
Other items to be Defined by the BRSA (-)	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deduction (-)	-
<b>Total regulatory adjustments to Tier I capital</b>	<b>127.917</b>
<b>Tier I capital</b>	<b>2.921.447</b>
<b>ADDITIONAL CORE CAPITAL</b>	
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-

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<b>Additional Core Capital before Deductions</b>	-
<b>Deductions from Additional Core Capital</b>	-
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be Defined by the BRSA (-)	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Core Capital</b>	-
<b>Total Additional Core Capital</b>	-
<b>Deductions from Core Capital</b>	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
<b>Total Core Capital</b>	<b>2.921.447</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued Or Obtained before 1.1.2014)	-
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	1.062.248
General Provisions	284.707
<b>Tier II Capital before Deductions</b>	<b>1.346.955</b>
<b>Deductions from Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be Defined by the BRSA (-)	16.062
<b>Total Deductions from Tier II Capital</b>	<b>16.062</b>
<b>Total Tier II Capital</b>	<b>1.330.893</b>
<b>CAPITAL</b>	<b>4.252.340</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	203
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	142
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	9.875
Other items to be Defined by the BRSA (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-

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The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>EQUITY</b>	<b>4.242.120</b>
<b>Amounts lower than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	-
	<b>Prior Period 31 December 2013</b>
<b>CORE CAPITAL</b>	
Paid-in Capital	652 290
Nominal Capital	652 290
Capital Commitments (-)	-
Adjustment to Paid-in Capital	-
Share Premium	-
Share Cancellation Profit	-
Legal Reserves	2 125 546
Adjustments to Legal Reserves	272 693
Profit	44 403
Net Current Period Profit	44.403
Prior Period Profit	-
Provision for Possible Losses up to 25% of Core Capital	-
Gain on sale of associates, subsidiaries and buildings	-
Primary Subordinated Loans	-
Loss that is not covered with reserves (-)	-
Net Current Period Loss	-
Prior Period Loss	-
Development cost of operating lease (-)	18 386
Intangible Assets (-)	107 386
Deferred-Asset for tax which exceeds 10% of core capital (-)	-
Excess Amount expressed in the Law ( Article 56, 3 <sup>rd</sup> paragraph) (-)	-
<b>Total Core Capital</b>	<b>2.969.160</b>

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Prior Period 31 December 2013
<b>SUPPLEMENTARY CAPITAL</b>	
General provisions	347.299
45% of increase in revaluation fund of securities	-
45% of increase in revaluation fund of real estate	-
Bonus shares from associates, subsidiaries and joint ventures that is not recognized in profit	-
Amounts not included in core capital for primary subordinated loans	-
Secondary subordinated loans	994.084
45% of value increase fund of financial assets available for sale and associates and subsidiaries	(27.513)
Adjustment to paid in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-
<b>Total Supplementary Capital</b>	<b>1.313.870</b>
<b>CAPITAL</b>	<b>4.283.030</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>254</b>
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-
Investment in Banks and Financial Institutions that are not consolidated but accounted under equity accounting	-
Loans extended being noncompliant with articles 50 and 51 of the Law	99
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	149
Securitisation positions that is deducted -preferably- from the shareholders' equity	-
Other	6
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4.282.776</b>

(\* ) In prior period, in case marketable securities value increase fund was positive 45%; if it was negative, all of them were included in calculation.

Equity calculation has been changed with "Regulation on Equity of Banks" which has become effective as of 1 January 2014. The information which presented as prior period calculated in accordance with the abrogated Regulation

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

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



## II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

- a. In credit risk, there are no specific limitations for a specific geographical region. However, if there will be a risk which is affecting a specific region then the necessary limitation shall be applied and the necessary action shall be taken in order to revaluation of the risk. Risk monitoring and sectoral based customer group limitations are conducted. The limitations which are determined for a specific risk group are determined in accordance with Banking Regulation and other relevant regulations. Loan usages are monitored instantly by the system. The credits depending on a risk group are also evaluated in the consolidated financial tables. Loan proposal are considered once in a year, however, for the loans under follow-up are considered in every 3 or 6 months.

In assigning loan limits, extending credit, derivative and other future delivery derivative transactions are conducted depending to management's authorization, approval and control processes. Customer's and bank's treasury department staff based monitoring is conducted on determining daily risk limits and risk allocations with risk concentrations regarding the balance sheet and off-balance transactions conducted. Product based risk parameters are considered when allocating limits for the derivative products.

- b. When evaluated together with the financial operations of other financial institutions as an active participant in international banking market and when it is considered that a significant portion of the loan portfolio of the Bank consists of retail loans, it is thought that there is no significant level of loan risk concentration.
- c. The Parent Bank provided a general provision amounting to TL 374.831 (31 December 2013: TL 347.299).

## III. EXPLANATIONS ON CONSOLIDATED MARKET RISK

- a. **Whether the Group within the financial risk management objectives hedges itself against market risk, the precautions taken by the Parent's Bank Board of Directors for market risk, the methods used for measuring market risk and time intervals for measurement of market risk:**

The Parent's Bank applies the advanced methods applied by the HSBC Group daily in order to manage and control the market risk. For risk measurement and limit determination, Value at Risk approach with historical simulation method is used. For the portfolios that are subject to market risk product and portfolio based on monthly and daily maximum loss limits regarding the interest rate, currency and stock certificate price risks, Value at Risk limits, prompt limits and size limits are applied. The usage of limits are monitored through various control points and reported to the top management daily. Risk monitoring and control activities are conducted by independent departments.

Sensitivity to volatility in the interest rates of the assets and liabilities which are sensitive to interest rates is analyzed by "Present Value Basis Point" method and interest risks are managed accordingly with related limits.

Besides controlling market risk, in regard to monitoring and managing the market risk, product and portfolio based yield curve scenarios, stress scenarios, liquidity, gap and volatility analysis are conducted. Through these analyses, it is aimed to be prepared and making fast decisions in regard to the targeted profitability and potential risks.

Operation limits is calculated considering change of price-ratio (Currency risk, Interest risk), volatility, present value basis points ("PVPB"), correlation risk and market liquidity risk which are main components of market risk. VaR analyses, stress tests and scenario tests are implemented continuously. These tests aim to determine that intended profit and potential risk parameters are matching.

Market potentials are overseen continuously for risk reducing positions, protective operations against risk and insurance operations if necessary. Foreign currency and total liquidity ratio, VaR and PVBP limits and excess of limit, internal capital requirement and results of stress test are reported monthly to Top Management and Market Risk Committee.

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III. EXPLANATIONS ON CONSOLIDATED MARKET RISK (Continued)

b. Information on Consolidated Market Risk:

	30 September 2014 Amount	31 December 2013 Amount
(I) Capital obligation for General Market Risk - Standard Method	30 293	28 296
(II) Capital obligation for Specific Risk - Standard Method	3 099	4 194
Capital obligation for specific risk in securitisation positions- Standard Method	-	-
(III) Capital obligation for Currency Risk - Standard Method	14.133	5 348
(IV) Capital obligation for Commodity Risk - Standard Method	-	-
(V) Capital obligation for Exchange Risk - Standard Method	-	-
(VI) Capital obligation for Market Risk Due to Options - Standard Method	61	85
(VII) Capital obligation for counterparty credit risk - Standard Method	26 212	52 099
(VIII) Total Capital obligation for Market Risk for Banks Applying Risk Measurement Model	-	-
(IX) Total Capital obligation for Market Risk (I+II+III+IV+V+VI+VII)	73 798	90 022
(X) Amount Subject to Market Risk (12,5xVIII) or (12,5xVII)	922.475	1.125.275

c. Average market risk table related to consolidated market risk calculated by the end of month in current period:

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

d. Information related to counterparty 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".

IV. EXPLANATIONS ON CONSOLIDATED OPERATIONAL RISK

The Group is monitoring operational risks through area of activity basis and generating a loss database. Reporting mechanism regarding the operational risks has been generated and business units have adopted the loss reporting concept where the losses realized or fixed when noticed. Therefore, key risk indicators are generated and new control points about the processes can be determined.

The amount subject to the operational risk is calculated through the use of the gross income of the Bank in 2013, 2012, and 2011 in accordance to the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio" published in the Official Gazette No.28337 dated 28 June 2012. In the scope of "Capital adequacy ratio" stated in Note I of this section, amount subjected to operational risk is TL 3.175.525 represented risk weighted assets for operational risk and 8% of that amount is TL 254.042 represented related capital requirement.

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK

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

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

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

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

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

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

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

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

<b>Current Period - 30 September 2014</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Parent's Bank Evaluation Rate	2,2829	2,8783
<b>Before Balance She Date</b>		
29 September 2014	2,2810	2,8980
26 September 2014	2,2639	2,8740
25 September 2014	2,2598	2,8774
24 September 2014	2,2400	2,8645
23 September 2014	2,2350	2,8785

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

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

As of September 2014 The Parent Bank's simple arithmetic average foreign exchange rates for USD is TL 2,2133 (December 2013: TL 2,0659) and exchange rates for Euro TL 2,8528 (December 2013: TL 2,8312).

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

Current Period - 30 September 2014	EURO	USD	Other FC	Total
<b>Assets</b>				
Cash Equivalents and Central Bank	426.279	1.987.575	604.419	3.018.273
Banks	36.953	1.238.301	31.314	1.306.568
Financial Assets at Fair Value through Profit or Loss (Net)	112.673	47.954	5.074	165.701
Interbank Money Market Placements	-	135.931	-	135.931
Available-for-sale Financial Assets (Net)	-	-	-	-
Loans (*)	2.475.977	3.399.584	52.994	5.928.555
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	4.216	9.448	2.166	15.830
<b>Total Assets</b>	<b>3.056.098</b>	<b>6.818.793</b>	<b>695.967</b>	<b>10.570.858</b>
<b>Liabilities</b>				
Bank Deposits	67	68.515	362	68.944
Foreign Currency Deposits	2.161.816	4.602.791	1.061.696	7.826.303
Funds from Interbank Money Market	-	-	-	-
Borrowings	1.751.114	4.772.624	12.134	6.535.872
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	196.157	6.351	1.048	203.556
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	69.528	289.591	53.771	412.890
<b>Total Liabilities</b>	<b>4.178.682</b>	<b>9.739.872</b>	<b>1.129.011</b>	<b>15.047.565</b>
<b>Net on Balance Sheet Position</b>	<b>(1.122.584)</b>	<b>(2.921.079)</b>	<b>(433.044)</b>	<b>(4.476.707)</b>
<b>Net Off-Balance Sheet Position</b>				
<b>Financial Derivative Assets</b>	<b>1.151.012</b>	<b>2.789.522</b>	<b>687.891</b>	<b>4.628.425</b>
Financial Derivative Assets	3.402.578	21.729.589	1.091.690	26.223.857
Financial Derivative Liabilities	2.251.566	18.940.067	403.799	21.595.432
Non-cash Loans	288.024	2.050.660	66.949	2.405.633
<b>Prior Period - 31 December 2013</b>				
Total Assets	4.434.095	7.331.076	658.335	12.423.506
Total Liabilities	4.922.906	9.975.847	1.528.354	16.427.107
<b>Net on-Balance Sheet Position</b>	<b>(488.811)</b>	<b>(2.644.771)</b>	<b>(870.019)</b>	<b>(4.003.601)</b>
<b>Net off-Balance Sheet Position</b>	<b>463.517</b>	<b>2.672.452</b>	<b>878.232</b>	<b>4.014.201</b>
Financial Derivative Assets	4.560.759	24.745.972	1.764.437	31.071.168
Financial Derivative Liabilities	4.097.242	22.073.520	886.205	27.056.967
Non-cash Loans	390.831	2.763.199	66.839	3.220.869

(\*) As of 30 September 2014, loans consists of foreign indexed loans amounting to TL 1.661.975 (31 December 2013: TL 1.728.042) and foreign factoring receivables amounting to TL 7.588 (31 December 2013: TL 8.752).

(\*\*) As of 30 September 2014, other assets do not consist of prepaid expenses amounting to TL 1.078 (31 December 2013: TL 1.108).

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

As of 30 September 2014 and 31 December 2013, if Group's foreign currency position had depreciated by 10% against TL with all other variables held constant, the changes in profit before tax and equity mainly as a result of foreign exchange losses are disclosed as following:

	Current Period – 30 September 2014		Prior Period – 31 December 2013	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	(13.156)	(13.156)	2.768	2.768
Euro	2.843	2.843	(2.529)	(2.529)
Other	25.485	25.485	821	821
<b>Total</b>	<b>15.172</b>	<b>15.172</b>	<b>1.060</b>	<b>1.060</b>

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

As of 30 September 2014 and 31 December 2013, as a result of 10% appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

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

Current Period - 30 September 2014	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash Equivalents and Central Bank Banks	-	-	-	-	-	3.340.442	3.340.442
Financial Assets at Fair Value Through Profit or Loss (Net)	1.656.294	17.000	2.142	-	-	133.532	1.808.968
Interbank Money Market Placements	169.802	278.285	172.760	36.538	14.865	7.440	679.690
Financial Assets Available-for-Sale (Net)	7.838.302	-	-	-	-	-	7.838.302
Loans (*)	155	228.147	252.211	-	-	4.225	484.738
Investments Held-to-Maturity (Net)	5.614.334	2.185.633	5.215.430	3.787.744	1.226.955	412.010	18.442.106
Other Assets	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>15.278.887</b>	<b>2.709.065</b>	<b>5.642.543</b>	<b>3.824.282</b>	<b>1.241.820</b>	<b>4.530.151</b>	<b>33.226.748</b>
<b>Liabilities</b>							
Bank Deposits	68.980	-	2.141	-	-	48.497	119.618
Other deposits	4.365.087	9.966.016	938.026	91.450	-	3.011.086	18.371.665
Funds from Interbank Money Market	95.807	-	-	-	-	-	95.807
Miscellaneous Payables	-	-	-	-	-	665.817	665.817
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	4.789.082	3.593.214	849.996	203.023	-	-	9.435.315
Other Liabilities (**)	125.037	145.860	102.976	698.880	4.244	3.461.529	4.538.526
<b>Total Liabilities</b>	<b>9.443.993</b>	<b>13.705.090</b>	<b>1.893.139</b>	<b>993.353</b>	<b>4.244</b>	<b>7.186.929</b>	<b>33.226.748</b>
Balance Sheet Long Position	5.834.894	-	3.749.404	2.830.929	1.237.576	-	13.652.803
Balance Sheet Short Position	-	(10.996.025)	-	-	-	(2.656.778)	(13.652.803)
Off Balance Sheet Long Position	-	19.809	38.768	618	-	-	59.195
Off Balance Sheet Short Position	(43.536)	-	-	-	-	-	(43.536)
<b>Total Position</b>	<b>5.791.358</b>	<b>(10.976.216)</b>	<b>3.788.172</b>	<b>2.831.547</b>	<b>1.237.576</b>	<b>(2.656.778)</b>	<b>15.659</b>

(\*) Loans consist of factoring transactions amounting to TL 121.023

(\*\*) Shareholders' equity is presented under "Other liabilities" item in "Non interest bearing".

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period - 31 December 2013	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
<b>Assets</b>							
Cash Equivalents and Central Bank Banks	-	-	-	-	-	3 699 273	3 699 273
Financial Assets at Fair Value Through Profit or Loss (Net)	447 669	1 035 753	22 644	-	-	160 423	1 666 489
Interbank Money Market Placements	718 431	552 898	647 910	38 756	10 528	10 313	1 978 836
Financial Assets Available-for-Sale (Net)	6 787 257	-	-	-	-	-	6 787 257
Loans (*)	463 858	1 024 165	757 083	-	-	4 225	2 249 331
Investments Held-to-Maturity (Net)	6 586 215	3 777 988	3 080 286	4 042 951	1 316 803	351 869	19 156 112
Other Assets	-	-	-	-	-	721 394	721 394
<b>Total Assets</b>	<b>15.003.430</b>	<b>6.390.804</b>	<b>4.507.923</b>	<b>4.081.707</b>	<b>1.327.331</b>	<b>4.947.497</b>	<b>36.258.692</b>
<b>Liabilities</b>							
Bank Deposits	594 337	2 111	6 125	-	-	69 282	671 855
Other deposits	11 172 421	2 096 684	448 296	18 971	-	3 171 203	16 907 575
Funds from Interbank Money Market	2 025 576	-	-	-	-	-	2 025 576
Miscellaneous Payables	-	-	-	-	-	536 126	536 126
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	4 524 409	1 774 937	4 171 351	211 566	-	-	10 682 263
Other Liabilities (**)	288 617	495 664	492 859	701 751	4 388	3 452 018	5 435 297
<b>Total Liabilities</b>	<b>18.605.360</b>	<b>4.369.396</b>	<b>5.118.631</b>	<b>932.288</b>	<b>4.388</b>	<b>7.228.629</b>	<b>36.258.692</b>
Balance Sheet Long Position	-	2 021 408	-	3 149 419	1 322 943	-	6 493 770
Balance Sheet Short Position	(3 601 930)	-	(610 708)	-	-	(2 281 132)	(6 493 770)
Off Balance Sheet Long Position	108 797	-	-	497	-	-	109 294
Off Balance Sheet Short Position	-	(135 942)	(122 029)	-	-	-	(257 971)
<b>Total Position</b>	<b>(3.493.133)</b>	<b>1.885.466</b>	<b>(732.737)</b>	<b>3.149.916</b>	<b>1.322.943</b>	<b>(2.281.132)</b>	<b>(148.677)</b>

(\*) Loans consist of factoring receivables amounting to TL 55 099.

(\*\*) Shareholders' equity is presented under "Other liabilities" item in "Non interest bearing".

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

b. Effective average interest rates for monetary financial instruments:

Current Period - 30 September 2014	Euro	US Dollar	Yen	TL
	%	%	%	%
<b>Assets</b>				
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	1,10	-	9,42
Financial Assets at Fair Value Through Profit or Loss (Net)	5,33	6,44	-	7,66
Interbank Money Market Placements	-	1,10	-	11,24
Financial Assets Available-for-Sale (Net)	-	-	-	7,61
Loans	4,55	3,77	-	11,08
Investments Held-to-Maturity (Net)	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	0,30	-	9,60
Other Deposits	1,76	1,84	1,98	9,17
Funds From Interbank Money Market	-	-	-	8,25
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	2,53	1,73	-	10,05
<b>Prior Period - 31 December 2013</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
	%	%	%	%
<b>Assets</b>				
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	1,20	-	7,64
Financial Assets at Fair Value Through Profit or Loss (Net)	5,83	7,58	-	7,42
Interbank Money Market Placements	1,40	1,55	-	7,75
Financial Assets Available-for-Sale (Net)	-	-	-	8,29
Loans	4,52	3,85	-	11,65
Investments Held-to-Maturity (Net)	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	0,37	-	8,27
Other Deposits	1,57	1,84	1,94	8,12
Funds From Interbank Money Market	-	-	-	4,29
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	1,24	0,61	2,00	8,49



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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

c. Interest rate risk on banking book:

- (i) Nature of interest rate risk resulted from banking book, major assumptions including also assumption on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk

The interest rate risk resulted from banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulted from the banking book.

In addition to, interest rate gap analysis on asset and liability items that are sensitive interest rate that to be behavioural approach with internal method, net interest margin stress test and economic value of capital analysis are performed and evaluated at ALCO and Market Risk Committee. That internal methods, balance sheet items such as prepayment risk of mortgage risk, demand deposit that not contain specific maturity in terms of interest rate risk, credit cards, overdraft account and free capital are assessed process of behavioural approach and analyzed interest rate risk according to it.

Interest rate risk arising from banking book is managed with risk reduction according to determined internal limits and hedging transactions by Board of Directors.

- (ii) Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Parent's Bank Banking Book as per Standard Shock Method

30 September 2014	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TRY	500	(287.261)	(6,84)%
2. TRY	(400)	303.569	7,23%
3. EURO	200	19.442	0,46%
4. EURO	(200)	(1.267)	(0,03)%
5. USD	200	(26.210)	(0,62)%
6. USD	(200)	18.053	0,43%
<b>Total (of negative shocks)</b>		<b>320.355</b>	<b>7,63%</b>
<b>Total (of positive shocks)</b>		<b>(294.029)</b>	<b>(7,00)%</b>
<b>31 December 2013</b>			
Type of Currency			
1. TRY	500	(414.036)	(9,78)%
2. TRY	(400)	427.651	10,10%
3. EURO	200	18.440	0,44%
4. EURO	(200)	(3.419)	(0,08)%
5. USD	200	(700)	(0,02)%
6. USD	(200)	6.984	0,17%
<b>Total (of negative shocks)</b>		<b>431.216</b>	<b>10,19%</b>
<b>Total (of positive shocks)</b>		<b>(396.296)</b>	<b>(9,36)%</b>

d. Position risk of equity securities in banking book:

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

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

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

None.

**VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK**

- a. Basis for the current liquidity risk of the Group and the necessary measures taken, limitations imposed by the Group's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:**

Liquidity risk is managed through considering factors such as, cash flows expected at the relevant period of time, credit quality of the assets in the balance sheet, deposit extensity/quality and various loss possibilities. As a principle conservative liquidity reserve is maintained.

For various liquidity crisis scenarios, liquidity crisis management methods are prepared as ready to use.

- b. Consistency of payments with the assets and liabilities and the interest rates, and the probable effects of the actual inconsistency on profitability:**

Since the Group is pricing its liabilities faster than its assets, net interest margin is positively affected from the decreases in the general rate of interests and negatively affected from increases in the general rate of interests. These effects are managed through the pre-determined limits.

- c. Internal and external sources for short and long-term liquidity needs of the Group, unused significant liquidity sources:**

The Group acts conservative on foreign currency liquidity management and in order to meet liquidity needs completely, maintains adequate reserves. When uncertainty in the markets increases the conservativeness level increases as well. For using in various crisis scenarios the Group maintains its borrowing potential and examining its borrowing potential from both domestic and abroad financial institutions.

- d. Evaluation of amount and sources of the Group's cash flows:**

As mentioned above, the Group has sufficient cash and cash inflow to supply its cash outflow literally and on time.

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDTY RISK (Continued)

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

Current Period - 30 September 2014	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated	Total
<b>Assets</b>								
Cash Equivalents and Central Bank Banks	477.505	2.862.937	-	-	-	-	-	3.340.442
Financial Assets at Fair Value through Profit or Loss (Net)	133.532	1.656.294	17.000	2.142	-	-	-	1.808.968
Interbank Money Market Placements	7.440	73.649	164.860	113.703	123.162	196.876	-	679.690
Financial Assets Available-for-Sale (Net)	-	7.838.302	-	-	-	-	-	7.838.302
Loans (*)	-	-	-	197.780	282.586	147	4.225	484.738
Investments Held-to-Maturity (Net)	-	4.945.610	2.341.182	3.999.599	5.181.530	1.562.175	412.010	18.442.106
Other Assets (**)	-	-	-	-	-	-	-	-
Other Assets (***)	-	129.451	-	11.643	87.659	2.145	401.604	632.502
<b>Total Assets</b>	<b>618.477</b>	<b>17.506.243</b>	<b>2.523.042</b>	<b>4.324.867</b>	<b>5.674.937</b>	<b>1.761.343</b>	<b>817.839</b>	<b>33.226.748</b>
<b>Liabilities</b>								
Bank Deposits	48.497	68.980	-	2.141	-	-	-	119.618
Other Deposits	3.011.086	4.365.087	9.966.016	938.026	91.450	-	-	18.371.665
Funds Borrowed	-	3.737.524	799.080	1.683.754	2.111.039	1.103.918	-	9.435.315
Funds from Interbank Money Market Issued Marketable Securities (Net)	-	95.807	-	-	-	-	-	95.807
Miscellaneous Payables	1.286	504.248	93.037	67.097	149	-	-	665.817
Other Liabilities (***)	-	111.003	124.666	172.826	622.784	45.718	3.461.529	4.538.526
<b>Total Liabilities</b>	<b>3.060.869</b>	<b>8.882.649</b>	<b>10.982.799</b>	<b>2.863.844</b>	<b>2.825.422</b>	<b>1.149.636</b>	<b>3.461.529</b>	<b>33.226.748</b>
<b>Net Liquidity Gap</b>	<b>(2.442.392)</b>	<b>8.623.594</b>	<b>(8.459.757)</b>	<b>1.461.023</b>	<b>2.849.515</b>	<b>611.707</b>	<b>(2.643.690)</b>	<b>-</b>
<b>Prior Period - 31 December 2013</b>								
Total Assets	621.518	16.995.343	4.619.366	5.108.662	6.032.371	1.936.577	944.855	36.258.692
Total Liabilities	3.240.485	17.593.543	3.438.349	4.128.286	3.372.183	1.033.744	3.452.102	36.258.692
<b>Net Liquidity Gap</b>	<b>(2.618.967)</b>	<b>(598.200)</b>	<b>1.181.017</b>	<b>980.376</b>	<b>2.660.188</b>	<b>902.833</b>	<b>(2.507.247)</b>	<b>-</b>

(\*) As of 30 September 2014, loans include the factoring receivables amounting to TL 121.023 (31 December 2013: TL 55.099).

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

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

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDTY RISK (Continued)

f. Information on securitisation positions:

None.

g. Explanations on credit risk mitigation techniques:

The Group does not perform net-off of balance sheet and off-balance sheet items in credit risk mitigation.

The monetary collaterals are included in the process of credit risk mitigation with their current value as of reporting date. The legal validity of the real estate mortgages are provided with timely and duly registry of the collaterals. The changes in market conditions that will be important, are monitored.

In terms of credit risk mitigation the Group uses cash, government and treasury bonds and debt instrument with high credit quality as collateral type. Mortgages on dwelling and commercial real estate reported under different risk class are other main types of collaterals.

The volatility adjustments regarding the receivables, collaterals and currency mismatch of the collaterals are made as per the standard volatility-adjustment approach defined in the article 37 of the above mentioned regulation.

Risk Classifications- 30 September 2014	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	3 633 758	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	2 886 076	-	-	-
Conditional and unconditional receivables from Corporates	11 062 331	190 738	-	-
Conditional and unconditional retail receivables	12 986 366	81 740	-	-
Conditional and unconditional receivables secured by Mortgages	1 821 115	-	-	-
Past due receivables	417 128	192	-	-
Receivables defined in high risk category by BRSA	2 783 350	54 522	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	626 209	-	-	-
<b>Total</b>	<b>36.216.333</b>	<b>327.192</b>	<b>-</b>	<b>-</b>

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDTY RISK (Continued)

Risk Classifications- 31 December 2013	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	5 671 300	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3 180 255	-	-	-
Conditional and unconditional receivables from Corporates	11 403 379	264.372	-	-
Conditional and unconditional retail receivables	13 179 724	48.466	-	-
Conditional and unconditional receivables secured by Mortgages	1 820 378	-	-	-
Past due receivables	354 188	150	-	-
Receivables defined in high risk category by BRSA	3 149 526	45 557	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	641 633	-	-	-
<b>Total</b>	<b>39.400.383</b>	<b>358.545</b>	-	-

h. Risk management objectives and policies:

The principal aim of Risk Management Policy is that requirement and functional of Risk Management Policy are explained and applied effectively which are the establishment of a risk management in accordance with legal regulations and carrying out risk management activities in an integrated manner banking activities.

Risk Management is an integral part of banking activities. Risk Management Policy has determined responsibilities that are related to risks for HSBC employee and aimed to create awareness against the risks.

Risk Management Policy has aimed to identify activities related to risk management principles and procedures and organization within the Bank.

The objective of the Bank Risk Management system is to provide with risk-return structure of future cash flows that is depend on following, controlling, and changing as if qualification and level of activities, to be defined, measured, monitored and controlled through policies, procedures and limits established within consolidated and unconsolidated basis.

This policy is evaluated to adapt to sufficiency of changing conditions by Board of Directors and Audit Committee and reflected necessary changes to policy.

Board of Directors approve policy that related to risk management activities, examine implementation of it as periodically and take measures to set up and continue the establishment of a risk management system in accordance with the Bank's regulations.

Market, Credit, Operational risks and related other all risks are evaluated by Risk Management Committee. The Committee makes the evaluation Capital Plan and Limits of Risk. The Committee determines policy that contains risk policy and guides the solution of problems. It evaluates current and potential risks according to environmental impact that changing rapidly.

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VIII. EXPLANATIONS REGARDING THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS

None.

IX. EXPLANATIONS ON OPERATING SEGMENTS

The Parent Bank operates in retail banking, corporate and commercial banking, SME banking, private banking, financial services, investment banking, treasury and capital markets.

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

	Retail Banking	Corporate And Investment Banking	Treasury and Capital Markets	Other	Group's Total Activities
<b>Current Period – 30 September 2014</b>					
Operating Income	884.916	373.609	145.669	-	1.404.194
Other	-	-	-	-	-
<b>Operating Income</b>	<b>884.916</b>	<b>373.609</b>	<b>145.669</b>	<b>-</b>	<b>1.404.194</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(204.670)	70.637	90.970	-	(43.063)
<b>Profit before Tax</b>	<b>(204.670)</b>	<b>70.637</b>	<b>90.970</b>	<b>-</b>	<b>(43.063)</b>
Corporate Tax Provision(*)	-	-	-	(11.582)	(11.582)
<b>Profit after Tax</b>	<b>(204.670)</b>	<b>70.637</b>	<b>90.970</b>	<b>(11.582)</b>	<b>(54.645)</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(204.670)</b>	<b>70.637</b>	<b>90.970</b>	<b>(11.582)</b>	<b>(54.645)</b>
Segment Assets	10.242.552	8.379.361	14.604.565	-	33.226.478
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>10.242.552</b>	<b>8.379.361</b>	<b>14.604.565</b>	<b>270</b>	<b>33.226.748</b>
Segment Liabilities	19.020.168	5.796.192	8.410.388	-	33.226.748
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>19.020.168</b>	<b>5.796.192</b>	<b>8.410.388</b>	<b>-</b>	<b>33.226.748</b>
<b>Other Segment Items</b>	<b>(107.744)</b>	<b>(5.651)</b>	<b>(4.792)</b>	<b>-</b>	<b>(118.187)</b>
Capital Investment	-	-	-	-	-
Amortization	(29.264)	(5.651)	(2.032)	-	(36.947)
Impairment	-	-	(2.760)	-	(2.760)
<b>Non-Cash Other Income-Expense(**)</b>	<b>(78.480)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(78.480)</b>

(\*) Corporate tax provision is not distributed.

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

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IX. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate And Investment Banking	Treasury and Capital Markets	Other	Group's Total Activities
<b>Prior Period – 31 December 2013</b>					
Operating Income (**)	858.495	357.777	222.738	-	1.439.010
Other (**)	-	-	--	-	-
<b>Operating Income (**)</b>	<b>858.495</b>	<b>357.777</b>	<b>222.738</b>	<b>-</b>	<b>1.439.010</b>
Segment Net Profit (**)	-	-	--	-	-
Undistributed Cost (**)	-	-	--	-	-
Operating Profit (**)	(110.790)	80.845	163.327	-	133.382
<b>Profit before Tax (**)</b>	<b>(110.790)</b>	<b>80.845</b>	<b>163.327</b>	<b>-</b>	<b>133.382</b>
Corporate Tax Provision (*)	-	-	-	(50.818)	(50.818)
<b>Profit after Tax (**)</b>	<b>(110.790)</b>	<b>80.845</b>	<b>163.327</b>	<b>(50.818)</b>	<b>82.564</b>
Non-Controlling Interest (**)	-	-	-	-	-
<b>Net Profit for the Period (**)</b>	<b>(110.790)</b>	<b>80.845</b>	<b>163.327</b>	<b>(50.818)</b>	<b>82.564</b>
Segment Assets	10.371.792	10.944.349	14.942.281	-	36.258.422
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>10.371.792</b>	<b>10.944.349</b>	<b>14.942.281</b>	<b>270</b>	<b>36.258.692</b>
Segment Liabilities	16.753.976	6.566.962	12.937.754	-	36.258.692
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>16.753.976</b>	<b>6.566.962</b>	<b>12.937.754</b>	<b>-</b>	<b>36.258.692</b>
<b>Other Segment Items(**)</b>	<b>205.346</b>	<b>(5.873)</b>	<b>(5.417)</b>	<b>-</b>	<b>194.056</b>
Capital Investment	-	-	-	-	-
Amortization	(32.616)	(5.873)	(959)	-	(39.448)
Impairment	-	-	(4.458)	-	(4.458)
<b>Non-Cash Other Income-Expense(***)</b>	<b>237.962</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>237.962</b>

(\*) Corporate tax provision is not distributed.

(\*\*) Items of income and expense are the amounts for the three month period ended 30 September 2013.

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

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED  
 FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

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

	Current Period 30 September 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Cash/Foreign Currency	294.652	127.740	227.581	142.946
The CBRT	27.517	2.862.948	67.313	3.248.491
Other (*)	-	27.585	22	12.920
<b>Total</b>	<b>322.169</b>	<b>3.018.273</b>	<b>294.916</b>	<b>3.404.357</b>

(\*) As of 30 September 2014, account of Precious Metal is amounting to TL 12.127, Money in Transit is amounting to TL 15.458 respectively (31 December 2013: Precious metal TL 12.920, Money in Transit: None).

2. Information related to the account of the CBRT:

	Current Period 30 September 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Unrestricted Demand Deposit	27.517	10	67.313	-
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Requirements	-	2.862.938	-	3.248.491
<b>Total</b>	<b>27.517</b>	<b>2.862.948</b>	<b>67.313</b>	<b>3.248.491</b>

3. Explanations on reserve requirements:

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

As of 30 September 2014, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 5% - 11,50% (31 December 2013: 5% - 11,50%), for TL deposits and other liabilities, and between 6% - 13% for FC deposits (31 December 2013: 6% - 13%).



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

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

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

As of 30 September 2014, the Group has financial assets at fair value through profit or loss given as collateral/blocked amounting to TL 45.146 (31 December 2013: TL 35.081).

As of 30 September 2014, the Group no has financial assets at fair value through profit or loss subject to repurchase agreement. (31 December 2013: TL 392.839).

As of 30 September 2014, the Group has financial assets at fair value through profit or loss in unrestricted account amounting to TL 70.059 (31 December 2013: TL 143.954).

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

	Current Period 30 September 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Forward Transactions	27.450	24.337	6.610	194.630
Swap Transactions	382.456	113.285	60.440	1.037.613
Futures Transactions	-	47	-	16
Options	-	16.910	-	107.653
Other	-	-	-	-
<b>Total</b>	<b>409.906</b>	<b>154.579</b>	<b>67.050</b>	<b>1.339.912</b>

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 September 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	436.907	1.204.298	470.264	1.035.814
Foreign	65.493	102.270	40.864	119.547
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>502.400</b>	<b>1.306.568</b>	<b>511.128</b>	<b>1.155.361</b>

2. Information on foreign banks account:

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

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

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

As of 30 September 2014, the Group has financial assets available for sale given as collateral/blocked amount to TL 382.720 (31 December 2013: TL 501.618).

As of 30 September 2014 the Group has financial assets available for sale amounting to TL 95.983 subject to repurchase agreement (31 December 2013: 1.659.680).

As of 30 September 2014 the Group has financial assets available for sale in unrestricted account amounting to TL 6.035 (31 December 2013: TL 88.033).

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

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

	Current Period 30 September 2014	Prior Period 31 December 2013
<b>Debt Securities</b>	494.874	2.268.948
Quoted to Stock Exchange	494.874	2.268.948
Not Quoted	-	-
<b>Share Certificate</b>	4.225	4.225
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.225	4.225
<b>Impairment Provision (-)</b>	14.361	23.842
<b>Total</b>	484.738	2.249.331

(\*) The balance of Kredi Garanti Fonu and Borsa İstanbul is security representing a capital share and classified in financial assets available for sale

e. Information related to loans:

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

	Current Period 30 September 2014		Prior Period 31 December 2013	
	Cash	Non-cash	Cash	Non-cash
<b>Direct Loans Granted to Shareholders</b>	-	179.588	2.532	199.765
Corporate Shareholders	-	179.588	2.532	199.765
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	5.904	466.242	11.984	460.588
<b>Loans Granted to Employees</b>	27.729	-	31.931	-
<b>Total</b>	33.633	645.830	46.447	660.353

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

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

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring			
	Loans and Other Receivables	Agreement Terms Modified	Other	Loans and Other Receivables	Agreement Terms Modified	
				Payment Plan Extensions	Other	
Non-specialised Loans	16.525.914	852.860	-	531.137	120.185	-
Commercial Loans	6.475.842	649.319	-	188.877	89.758	-
Export Loans	1.007.494	115.140	-	36.804	462	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	66.418	-	-	-	-	-
Consumer Loans	4.787.122	44.386	-	95.799	21.419	-
Credit Cards	3.500.119	-	-	174.663	-	-
Other (*)	688.919	44.015	-	34.994	8.546	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
<b>Non-specialized Loans</b>	<b>16.525.914</b>	<b>852.860</b>	<b>-</b>	<b>531.137</b>	<b>120.185</b>	<b>-</b>

(\*) Includes the factoring receivables amounting to TL 121.023.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Extended by 1 or 2 times	838.182	119.037
Extended by 3, 4 or 5 times	14.648	1.148
Extended by more than 5 times	30	-

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 – 6 Months	103.911	5.035
6 – 12 Months	449.188	10.814
1 – 2 Years	156.855	70.489
2 – 5 Years	126.914	33.244
5 years or more	15.992	603

3. Breakdown of loans according to their maturities:

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

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

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

	Short-term	Medium and Long-term	Total
<b>Consumer Loans-TL</b>	<b>114.897</b>	<b>4.512.588</b>	<b>4.627.485</b>
Mortgage Loans	864	1.523.835	1.524.699
Automotive Loans	-	7.077	7.077
Consumer Loans	114.033	2.981.676	3.095.709
Other	-	-	-
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>7.969</b>	<b>7.969</b>
Mortgage Loans	-	7.905	7.905
Automotive Loans	-	-	-
Consumer Loans	-	64	64
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>3.533.959</b>	<b>98.686</b>	<b>3.632.645</b>
Instalment	1.294.271	98.686	1.392.957
None Instalment	2.239.688	-	2.239.688
<b>Individual Credit Cards-FC</b>	<b>9.165</b>	<b>-</b>	<b>9.165</b>
Instalment	-	-	-
None Instalment	9.165	-	9.165
<b>Personnel Loans-TL</b>	<b>2.273</b>	<b>17.162</b>	<b>19.435</b>
Mortgage Loans	-	6	6
Automotive Loans	-	-	-
Consumer Loans	2.015	17.156	19.171
Other	258	-	258
<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>8.235</b>	<b>-</b>	<b>8.235</b>
Instalment	3.504	-	3.504
None Instalment	4.731	-	4.731
<b>Personnel Credit Cards-FC</b>	<b>59</b>	<b>-</b>	<b>59</b>
With Instalment	-	-	-
Without Instalment	59	-	59
<b>Overdraft Account-TL (Individual)</b>	<b>293.837</b>	<b>-</b>	<b>293.837</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>3.962.425</b>	<b>4.636.405</b>	<b>8.598.830</b>

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

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

	Short-term	Medium and Long-term	Total
<b>Commercial Instalment Loans-TL</b>	<b>29.605</b>	<b>595.625</b>	<b>625.230</b>
Mortgage Loans	-	5.463	5.463
Automotive Loans	-	9.592	9.592
Consumer Loans	29.605	580.570	610.175
Other	-	-	-
<b>Commercial Instalment Loans- Indexed to FC</b>	<b>19.443</b>	<b>328.706</b>	<b>348.149</b>
Mortgage Loans	-	14.509	14.509
Automotive Loans	-	8.143	8.143
Consumer Loans	19.443	306.054	325.497
Other	-	-	-
<b>Commercial Instalment Loans-FC</b>	<b>12.508</b>	<b>-</b>	<b>12.508</b>
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	12.508	-	12.508
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>23.561</b>	<b>12</b>	<b>23.573</b>
Instalment	7.461	12	7.473
None Instalment	16.100	-	16.100
<b>Corporate Credit Cards-FC</b>	<b>1.105</b>	<b>-</b>	<b>1.105</b>
With Instalment	-	-	-
None Instalment	1.105	-	1.105
<b>Overdraft Account-TL (Commercial)</b>	<b>76.215</b>	<b>-</b>	<b>76.215</b>
<b>Overdraft Account-FC (Commercial)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>162.437</b>	<b>924.343</b>	<b>1.086.780</b>

6. Loans according to types of borrowers:

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

7. Distribution of domestic and foreign loans:

	Current Period 30 September 2014	Prior Period 31 December 2013
Domestic Loans	17.661.272	18.408.727
Foreign Loans	368.824	395.516
<b>Total (*)</b>	<b>18.030.096</b>	<b>18.804.243</b>

(\*) Includes the factoring receivables amounting to TL 121.023 (31 December 2013: TL 55.099).

8. Loans granted to investments in associates and subsidiaries:

	Current Period 30 September 2014	Prior Period 31 December 2013
Direct Loans Granted to Associates and Subsidiaries	-	-
Indirect Loans Granted to Associates and Subsidiaries	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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9. Specific provisions for loans:

	Current Period 30 September 2014	Prior Period 31 December 2013
Loans and Receivables with Limited Collectability	38.198	26.964
Loans and Receivables with Doubtful Collectability	139.357	110.370
Uncollectible Loans and Receivables	768.169	717.194
<b>Total</b>	<b>945.724</b>	<b>854.528</b>

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
<b>Current Period: 30 September 2014</b>	<b>686</b>	<b>679</b>	<b>20.238</b>
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	686	679	20.238
Rescheduled Loans and Other Receivables	-	-	-
<b>Prior Period: 31 December 2013</b>	<b>7.130</b>	<b>7.644</b>	<b>17.910</b>
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	7.130	7.644	17.910
Rescheduled Loans and Other Receivables	-	-	-

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
<b>Balance at the end of the Prior Period: 31 December 2013</b>	<b>151.285</b>	<b>254.591</b>	<b>800.521</b>
Additions (+)	542.396	2.147	28.087
Transfers from Other Categories of Non-Performing Loans (+)	1.770	450.620	358.317
Transfers to Other Categories of Non-Performing Loans (-)	453.485	354.708	2.514
Collections (-)	34.110	58.932	51.353
Write-offs (*) (-)	-	-	276.898
Corporate and Commercial Loans	-	-	85.161
Retail Loans	-	-	47.895
Credit Cards	-	-	143.842
Other	-	-	-
<b>Balance at the End of the Period: 30 September 2014</b>	<b>207.856</b>	<b>293.718</b>	<b>856.160</b>
Specific Provisions (-)	38.198	139.357	768.169
<b>Net Balance on Balance Sheet</b>	<b>169.658</b>	<b>154.361</b>	<b>87.991</b>

(\*) It also includes individual loans amounting to TL 191.612 and Corporate – Commercial loans under follow-up amounting to TL 85.161 which are sold.

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
<b>Current Period: 30 September 2014</b>			
Balance at the End of the Period	-	-	13.908
Specific Provisions (-)	-	-	13.588
<b>Net Balance on Balance Sheet</b>	-	-	<b>320</b>
<b>Prior Period: 31 December 2013</b>			
Balance at the End of the Period	-	-	14.088
Specific Provisions (-)	-	-	14.088
<b>Net Balance on Balance Sheet</b>	-	-	<b>-</b>

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
<b>Current Period (Net): : 30 September 2014</b>			
Loans granted to corporate entities and real persons (Gross)	207.856	293.718	844.705
Specific Provisions Amount (-)	38.198	139.357	756.714
Loans granted to corporate entities and real persons (Net)	169.658	154.361	87.991
Banks (Gross)	-	-	11.455
Specific Provisions Amount (-)	-	-	11.455
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
<b>Prior Period (Net): 31 December 2013</b>			
Loans granted to corporate entities and real persons (Gross)	151.285	254.591	788.778
Specific Provisions Amount (-)	26.964	110.370	705.451
Loans granted to corporate entities and real persons (Net)	124.321	144.221	83.327
Banks (Gross)	-	-	11.743
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

11. Information on the collection policy of non-performing loans and other receivables:

For uncollectible loans, primarily, a reach for an agreement with the company and third parties (natural and/ or legal) having guarantees subject to the risk is being sought and actions either aimed at liquidation of collateral in the loan risk warranty or aimed at proceedings without judgment are taken. In case of obtaining no result in consequence of these actions, liquidation subject to requirements within the framework of legal regulations designated by the Parent Bank's top management occurs.

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

12. Explanations on the write-off policy of :

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

f. Held-to-maturity Investments:

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

As of 30 September 2014 and 31 December 2013, the Group has no investment held to maturity given as collateral/blocked and subject to repurchase agreements.

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

As of 30 September 2014 and 31 December 2013 the Group has no investments as government debt securities held to maturity

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

As of 30 September 2014 and 31 December 2013, the Group has no investments held to maturity.

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

As of 30 September 2014 and 31 December 2013, the Group has no investments of held to maturity movement.

g. Information on investments in associates (Net):

The Group has no investments in associates as of 30 September 2014 and 31 December 2013.

h. Information on subsidiaries (Net):

1. Information on unconsolidated/subsidiaries:

a) Unconsolidated subsidiaries:

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



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I. EXPLANATIONS AND NOTES TO RELATED THE CONSOLIDATED 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	6.609	6.418	81	121	-	1.320	1.084	-
2	59	58	-	-	-	(19)	(14)	-

(\*) Prepared with audited financial statements as of 31 December 2013.

(\*\*) Prior period amount is the amount as of 31 December 2012.

2. Information on the consolidated subsidiaries:

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

a) Consolidated subsidiaries:

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
1	94.599	79.782	1.819	2.881	2.554	16.879	14.249	-

(\*) Prepared with unaudited financial statements as of 30 September 2014.

(\*\*) Prior period amount is the amount as of 30 September 2013.

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

3. Movement schedule of the consolidated subsidiaries:

	Current Period 30 September 2014	Prior Period 31 December 2013
Balance at the Beginning of the Period	34.753	34.753
Movements During the Period	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Increase /decrease of valuation	-	-
Balance at the End of the Period	34.753	34.753
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	99,87	99,87

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

Subsidiaries	Current Period 30 September 2014	Prior Period 31 December 2013
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

5. Subsidiaries quoted on a stock exchange:

The Group has no subsidiaries quoted on a stock exchange as of 30 September 2014 and 31 December 2013.

i. Information on jointly controlled entities:

- The Group has no jointly controlled entities as of 30 September 2014 and 31 December 2013.
- As of 30 September 2014 and 31 December 2013, the accounting method is not determined since the Group has no jointly controlled entities.

j. Information on leasing receivables (Net):

As of 30 September 2014 and 31 December 2013, the Group has no finance lease.

k. Explanations on hedging derivative financial assets:

	Current Period 30 September 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	49.144	-	-	-
Foreign Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>49.144</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

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

**m. Explanations on intangible assets:**

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

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

As of 30 September 2014 and 31 December 2013, the Group has no investment properties.

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

As of 30 September 2014 deferred tax asset of the Group is TL 41.515 (31 December 2013: TL 46.654). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

There are no temporary differences which were not subject to deferred tax assets and do not recognised in balance sheet.

There is no impairment provision for deferred tax.

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

As of 30 September 2014, assets held for sale of the Bank is TL 3.603 (31 December 2013: TL 4.394).

**r. Information on other assets:**

1. There are no further explanations of the Group related to prepaid expenses, tax and other operations.
2. Other assets of the balance sheet consist of the debited suspense accounts amounting to TL 164.922 (31 December 2013: TL 120.311), the prepaid expenses amounting to TL 72.645 (31 December 2013: TL 63.194), other rediscount income amounting to TL 10.599 (31 December 2013: TL 21.729), miscellaneous receivables amounting to TL 8.289 (31 December 2013: TL 223.108), and other assets amounting to TL 7.489 (31 December 2013: TL 4.221).

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

As of 30 September 2014 and 31 December 2013, the Group has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

a. Information on deposits

I. Information on maturity structure of the deposits:

There are no deposits on 7 days notification and cumulative deposits.

1(i). Current Period - 30 September 2014:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months - 1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	594.836	-	1.798.069	5.135.507	408.084	308.171	78.059	-	8.322.726
Foreign Currency Deposits	1.584.655	-	1.378.400	4.074.004	256.537	101.529	116.925	-	7.512.050
Residents in Turkey	1.269.606	-	1.272.503	3.512.616	184.786	52.327	47.859	-	6.339.697
Residents Abroad	315.049	-	105.897	561.388	71.751	49.202	69.066	-	1.172.353
Public Sector Deposits	118.720	-	-	-	-	-	-	-	118.720
Commercial Deposits	442.944	-	1.144.065	432.761	8.391	10.007	3.413	-	2.041.581
Other Institutions Deposits	11.111	-	5.969	41.875	3.245	65	70	-	62.335
Precious Metal Deposit	258.820	-	2.657	45.536	4.543	2.697	-	-	314.253
Bank Deposits	48.497	-	68.980	-	2.141	-	-	-	119.618
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	69	-	68.980	-	2.141	-	-	-	71.190
Foreign Banks	48.428	-	-	-	-	-	-	-	48.428
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3.059.583</b>	<b>-</b>	<b>4.398.140</b>	<b>9.729.683</b>	<b>682.941</b>	<b>422.469</b>	<b>198.467</b>	<b>-</b>	<b>18.491.283</b>

1(ii). Prior Period - 31 December 2013:

	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	606.109	-	1.312.181	4.562.799	363.814	137.308	77.930	-	7.060.141
Foreign Currency Deposits	1.536.074	-	1.662.428	2.806.446	327.557	105.074	233.004	-	6.670.583
Residents in Turkey	1.296.344	-	1.562.464	2.304.453	227.925	48.986	144.342	-	5.584.514
Residents Abroad	239.730	-	99.964	501.993	99.632	56.088	88.662	-	1.086.069
Public Sector Deposits	96.604	-	44	-	-	-	-	-	96.648
Commercial Deposits	538.847	-	1.669.099	386.923	10.725	16.669	3.155	-	2.625.418
Other Institutions Deposits	10.618	-	16.631	10.877	146	131	3.622	-	42.025
Precious Metal Deposit	382.951	-	-	22.819	4.091	2.899	-	-	412.760
Bank Deposits	69.282	-	594.337	2.111	2.035	4.090	-	-	671.855
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	543	-	587.961	2.111	2.035	4.090	-	-	596.740
Foreign Banks	68.739	-	6.376	-	-	-	-	-	75.115
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3.240.485</b>	<b>-</b>	<b>5.254.720</b>	<b>7.791.975</b>	<b>708.368</b>	<b>266.171</b>	<b>317.711</b>	<b>-</b>	<b>17.579.430</b>

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

2. Information on saving deposits insurance:

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

	Covered by Insurance		Exceeding Deposit Insurance Limit	
	Current Period 30 September 2014	Prior Period 31 December 2013	Current Period 30 September 2014	Prior Period 31 December 2013
Saving Deposits	4 462 546	3 906 478	3 660 584	2 958 546
Foreign Currency Saving Deposits	1 586 834	1 308 845	3 592 620	2 613 550
Other Deposits in the Form of Saving Deposits	27 397	87 189	84 876	270 009
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	213 945	207 860	252 289	225 306
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
<b>Total</b>	<b>6.290.722</b>	<b>5.510.372</b>	<b>7.590.369</b>	<b>6.067.411</b>

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

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

	Current Period 30 September 2014	Prior Period 31 December 2013
Foreign Branches' Deposits and other accounts	252 289	225 306
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wordship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wordship	8 632	6 503
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26/09/2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 30 September 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Forward Transactions	14.691	56 712	-	110 518
Swap Transactions	57 237	245 100	15 903	1 073 901
Future Transactions	-	16	-	20
Options	-	17 243	-	108 034
Other	-	-	-	-
<b>Total</b>	<b>71.928</b>	<b>319.071</b>	<b>15.903</b>	<b>1.292.473</b>

c. Information on repurchase agreements:

As of 30 September 2014, the Group has repurchase agreements amounting to TL 95.807 (31 December 2013: TL 2.025.576).

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

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 30 September 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	9.558	355	11.950	2.160
From Foreign Banks, Institutions and Funds	2.889.885	5.431.602	2.867.727	6.773.077
<b>Total</b>	<b>2.899.443</b>	<b>5.431.957</b>	<b>2.879.677</b>	<b>6.775.237</b>

2. Information on maturity structure of funds borrowed:

	Current Period 30 September 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
Short-term	1.465.498	2.377.047	1.051.729	4.033.348
Medium and Long-term	1.433.945	3.054.910	1.827.948	2.741.889
<b>Total</b>	<b>2.899.443</b>	<b>5.431.957</b>	<b>2.879.677</b>	<b>6.775.237</b>

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

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

e. Information on other liabilities:

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

f. Information on leasing agreements:

a. Explanations on obligations under financial leases:

None (31 December 2013: None).

b. Explanations on operational lease:

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

Leasing debts due to operational lease transactions presented below.

	Current Period 30 September 2014	Prior Period 31 December 2013
Less Than 1 Year	50.844	68.694
Between 1-4 Years	69.160	131.350
More Than 4 Years	18.251	14.415
<b>Total</b>	<b>138.255</b>	<b>214.459</b>

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g. Information on derivative financial liabilities for hedging purposes:

As of 30 September 2014 and 31 December 2013, the Group has no derivative financial liabilities for hedging purposes.

h. Information on provisions:

1. Information on general provisions:

	Current Period 30 September 2014	Prior Period 31 December 2013
<b>General Provisions</b>	<b>374.831</b>	<b>347.299</b>
Provisions for First Group Loans and Receivables	257.279	258.374
- Additional Provision for Loans and Receivables with Extended Maturities	31.902	27.798
Provisions for Second Group Loans and Receivables	20.085	18.616
- Additional Provision for Loans and Receivables with Extended Maturities	7.107	2.581
Provisions for Non-Cash Loans	56.441	37.958
Other	2.017	1.972

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

As of 30 September 2014, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 4.471 (31 December 2013: TL 42.839), is offset with the balance of foreign currency indexed loans.

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

As of 30 September 2014, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 798 (31 December 2013: TL 3.126).

4. Information on other provisions:

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

As of 30 September 2014 and 31 December 2013, the Group has no general provisions for possible risks.

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

Provision for overdraft checks that are submitted in time amounting to TL 24.056 (31 December 2013: TL 26.036), provision for accumulated credit card bonus amounting to TL 10.542 (31 December 2013: TL 16.408), provisions for checks under follow-up amounting to TL 5.460 (31 December 2013: TL 3.203), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 798 (31 December 2013: TL 3.126), and other provision amounting to TL 14.991 (31 December 2013: TL 29.415) are classified under other provisions.

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

i. Explanations on tax liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period 30 September 2014	Prior Period 31 December 2013
Corporate Taxes Payable	1.266	252
Taxation on Marketable Securities	14.183	12.354
Taxation on Real Estates Income	2.770	1.115
Banking Insurance Transaction Tax (BITT)	11.963	12.628
Foreign Exchange Transaction Tax	18	14
Value Added Tax Payable	1.564	1.130
Other (*)	8.240	10.499
<b>Total</b>	<b>40.004</b>	<b>37.992</b>

(\*) As of 30 September 2014, consists of payroll tax amounting to TL 7.671 (31 December 2013: TL 8.582), self-employed income tax amounting to TL 23 (31 December 2013: TL 8), stamp tax amounting to TL 252 (31 December 2013: TL 295) and other taxes amounting to TL 294 (31 December 2013: TL 1.614).

1(ii). Information on premium payables:

	Current Period 30 September 2014	Prior Period 31 December 2013
Social Security Premiums – Employee Share	3.438	3.417
Social Security Premiums – Employer Share	3.646	3.649
Bank Social Aid Pension Fund Premium – Employee Share	-	-
Bank Social Aid Pension Fund Premium – Employer Share	-	-
Pension Fund Membership Fees and Provisions – Employee Share	-	-
Pension Fund Membership Fees and Provisions – Employer Share	-	-
Unemployment Insurance – Employee Share	202	225
Unemployment Insurance – Employer Share	465	454
Other	-	-
<b>Total</b>	<b>7.751</b>	<b>7.745</b>

2. Information on deferred tax liability:

As of 30 September 2014, the Group has no deferred tax liability (31 December 2013: None). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

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

As of 30 September 2014 and 31 December 2013, the Group has no liabilities for asset held for sale and related to discontinued operations.

k. Explanations on the number, maturity, interest rate, provider organization of subordinated loans used by the Group and if exists option for convertible to shares:

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



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

I. Information on shareholder's equity:

1. Presentation of paid-in capital:

	Current Period 30 September 2014	Prior Period 31 December 2013
Common Stock Provision	-	-
Preferred Stock Provision	652 290	652 290

Amount of paid-in capital has presented in notional amount. As of 30 September 2014, the Parent Bank has TL 272.693 capital reserve due to adjustment of the paid-in capital for inflation.

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

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

Registered share capital system is not applied.

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

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

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

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

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

The Group has no capital commitments.

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

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

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

All shares of the Parent Bank consisting of Group "A" and "B" are held by foreign shareholder and all members of the Board of Directors are selected from among the candidates to be suggested by the Group "A" share certificate holders.

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

8. Information on marketable securities value increase fund:

	Current Period 30 September 2014		Prior Period 31 December 2013	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(1.543)	-	(27.513)	-
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>(1.543)</b>	<b>-</b>	<b>(27.513)</b>	<b>-</b>

9. Information on revaluation value increase fund:

As of 30 September 2014 and 31 December 2013, the Group has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period	Prior Period
	30 September 2014	31 December 2013
First Legal Reserve	136.114	134.170
Second Legal Reserve	59.888	67.263
Legal Reserves according to Special Legislation	-	-
<b>Total</b>	<b>196.002</b>	<b>201.433</b>

11. Information on extraordinary reserves:

	Current Period	Prior Period
	30 September 2014	31 December 2013
Reserves Allocated per General Assembly Minutes	1.877.926	1.860.707
Undivided Profit	97.844	65.229
Accumulated Loss	-	-
Translation Difference	-	-
<b>Total</b>	<b>1.975.770</b>	<b>1.925.936</b>

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

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

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

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

As of 30 September 2014, the Group has amounting to irrevocable commitments TL 40.912.176 (31 December 2013: TL 23.517.446).

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

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

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

As of 30 September 2014, the Group has letter of credit amounting to TL 1.423.615 (31 December 2013: TL 1.139.939), acceptances amounting to TL 734.437 (31 December 2013: TL 1.212.692) and commitments and contingencies due to letter of credit amounting to TL 676.152 (31 December 2013: TL 775.010). Also the Bank has other commitments and contingencies amounting to TL 358.389 (31 December 2013: TL 518.130).

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

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

3. Explanations on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 30 September 2014	Prior Period 31 December 2013
<b>Non-Cash Given For Cash Loan Risks</b>	<b>3.604</b>	<b>3.383</b>
With Original Maturity of One Year or Less	3.604	3.383
With Original Maturity of More than One Year	-	-
<b>Other Non-Cash Loans</b>	<b>3.188.989</b>	<b>3.642.388</b>
<b>Total</b>	<b>3.192.593</b>	<b>3.645.771</b>

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

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

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

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

b. Explanations on derivative transactions:

As of 30 September 2014, the Group has forward transactions amounting to TL 5.906.716 (31 December 2013: TL 7.950.019), currency swap amounting to TL 49.618.598 (31 December 2013: TL 71.991.730), currency option amounting to TL 4.128.112 (31 December 2013: TL 8.324.340), interest rate swap amounting to TL 10.041.314 (31 December 2013: TL 7.463.656), precious metal option amounting to TL 32.336 (31 December 2013: TL 48.736), interest rate future amounting to TL 6.457.644 (31 December 2013: TL 6.853.314), precious metal swap amounting to TL 254.398 (31 December 2013: TL 246.910). As of 30 September 2014 and 31 December 2013, the Group has no interest rate option. Transactions to decrease foreign currency and interest rate risk have been classified trading derivative financial instrument or hedging derivative financial instruments and valued with their fair value by the Bank.

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

I. Cash flow hedging accounting:

The Parent Bank applies cash flow hedge accounting by cross currency swap transactions in order to hedge itself from the changes in the interest rates of the fixed-rate time deposits which have maturity of 1-3 month. The Parent Bank applies effectiveness test in any balance sheet date. While the effective portions are accounted under hedging reserves in shareholders' equity as described in TAS 39, the ineffective portion is recognized at income statement. As of 30 September 2014, swaps amounting to TL 2.455.418 (31 December 2013: None) were subjected to cash flow hedge accounting as hedging instrument. After such hedge accounting, fair value profit before tax amounting to TL 12.266 (31 December 2013: None) are recognized under shareholders' equity in the current period. As of 30 September 2014, there is ineffective portion as a result of effectiveness tests amounting to TL 289 (31 December 2013: None).

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

Contingent assets, are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 30 September 2014 and 31 December 2013, there is no contingent asset to be disclosed.

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

The Group has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 September 2014, the total amount of these lawsuits filed against the Bank is TL 28.988 (31 December 2013: TL 15.070). A provision of TL 4.816 (31 December 2013: TL 2.630) 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.

d. Explanations on fiduciary services rendered on behalf of third parties

The Group gets as an investment agent for the trading of marketable securities and provides custodian services on behalf of its customer.

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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

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

	Current Period 30 September 2014		Prior Period 30 September 2013	
	TL	FC	TL	FC
Short-term Loans	663.246	35.307	639.176	32.219
Medium and Long-Term Loans	582.385	110.472	556.861	90.306
Interest on Loans Under Follow-Up	15.997	7	13.791	134
Premiums Received from the Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>1.261.628</b>	<b>145.786</b>	<b>1.209.828</b>	<b>122.659</b>

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

2. Information on interest income received from banks:

	Current Period 30 September 2014		Prior Period 30 September 2013	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	64.073	7.278	31.606	4.410
From Foreign Banks	633	512	858	339
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>64.706</b>	<b>7.790</b>	<b>32.464</b>	<b>4.749</b>

3. Information on interest income on marketable securities:

	Current Period 30 September 2014		Prior Period 30 September 2013	
	TL	FC	TL	FC
Financial Assets Held For Trading	14.168	292	26.743	318
Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available For Sale	64.588	-	171.308	-
Investments Held to Maturity	-	-	-	-
<b>Total</b>	<b>78.756</b>	<b>292</b>	<b>198.051</b>	<b>318</b>

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

As of 30 September 2014 and 30 September 2013, the Parent Bank has no interest income received from investments in associates and subsidiaries.

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

b. Information on interest expense:

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

	Current Period 30 September 2014		Prior Period 30 September 2013	
	TL	FC	TL	FC
Banks	140.851	100.384	133.379	81.340
The CBRT	-	-	-	-
Domestic Banks	810	48	642	82
Foreign Banks	140.041	100.336	132.737	81.258
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>140.851</b>	<b>100.384</b>	<b>133.379</b>	<b>81.340</b>

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

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

None.

3. Information on interest expense given on securities issued:

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

4. Maturity structure of the interest expense on deposits:

Current Period: 30 September 2014	Demand Deposit	Time 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	-	1.196	-	-	4.870	-	6.066
Saving deposits	-	109.272	356.933	42.206	13.918	4.361	526.690
Public sector deposits	-	2	-	-	-	-	2
Commercial deposits	-	104.768	31.601	5.195	1.262	614	143.440
Other Deposit	-	1.124	3.064	477	7	3	4.675
<b>Total</b>	-	<b>216.362</b>	<b>391.598</b>	<b>47.878</b>	<b>20.057</b>	<b>4.978</b>	<b>680.873</b>
<b>Foreign Currency</b>							
Foreign currency deposits	-	14.102	49.266	4.742	1.517	2.741	72.368
Interbank Deposits	-	344	-	-	-	-	344
Precious metal deposits	-	-	309	15	20	-	344
<b>Total</b>	-	<b>14.446</b>	<b>49.575</b>	<b>4.757</b>	<b>1.537</b>	<b>2.741</b>	<b>73.056</b>
<b>Grand Total</b>	-	<b>230.808</b>	<b>441.173</b>	<b>52.635</b>	<b>21.594</b>	<b>7.719</b>	<b>753.929</b>

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

Current Period: 30 September 2013	Demand Deposit	Time Deposit					More Than 1 year	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year			
<b>Turkish Lira</b>								
Interbank deposits	-	3.176	-	-	100	-	3.276	
Saving deposits	-	18.243	216.181	36.994	13.056	5.323	289.797	
Public sector deposits	-	2	8	-	-	-	10	
Commercial deposits	-	68.568	9.205	1.327	461	205	79.766	
Other Deposit	-	635	1.795	41	10	-	2.481	
Deposits with 7 days notification	-	-	-	-	-	-	-	
<b>Total</b>	-	<b>90.624</b>	<b>227.189</b>	<b>38.362</b>	<b>13.627</b>	<b>5.528</b>	<b>375.330</b>	
<b>Foreign Currency</b>								
Foreign currency deposits	-	11.788	39.782	5.831	2.028	4.000	63.429	
Interbank Deposits	-	326	-	-	-	-	326	
Deposits with 7 days notification	-	-	-	-	-	-	-	
Precious metal deposits	-	-	2	1	1	-	4	
<b>Total</b>	-	<b>12.114</b>	<b>39.784</b>	<b>5.832</b>	<b>2.029</b>	<b>4.000</b>	<b>63.759</b>	
<b>Grand Total</b>	-	<b>102.738</b>	<b>266.973</b>	<b>44.194</b>	<b>15.656</b>	<b>9.528</b>	<b>439.089</b>	

5. Information on interest given on repurchase agreement:

The Bank has interest given on repurchase agreement amounting to TL 31.792 (30 September 2013: TL 19.838) during the period ended on 30 September 2014.

6. Information on financial lease expense:

The Group has no finance lease expense as of 30 September 2014 and 30 September 2013.

7. Information on interest expenses given on factoring payables:

The Group has no interest given on factoring payables as of 30 September 2014 and 30 September 2013.

c. Explanations on dividend income:

As of 30 September 2014, the Group has no dividend income. (30 September 2013: TL 15)

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

	Current Period 30 September 2014	Prior Period 30 September 2013
<b>Profit</b>	<b>47.270.435</b>	<b>30.957.742</b>
Income from Capital Market Transactions	24.390	40.886
Derivative Financial Transactions Income	8.176.767	647.713
Foreign Exchange Gains	39.069.278	30.269.143
<b>Loss (-)</b>	<b>47.412.495</b>	<b>31.007.531</b>
Capital Market Transactions Loss	14.172	34.225
Loss on Derivative Financial Transactions	8.104.306	705.729
Foreign Exchange Loss	39.294.017	30.267.577
<b>Total (Net)</b>	<b>(142.060)</b>	<b>(49.789)</b>

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

2. Explanations on derivative instruments gain/loss:

	Current Period 30 September 2014	Prior Period 30 September 2013
Effect of the change in exchange rates on profit/loss	183.736	105.642
Effect of the change in interest rates on profit/loss	(111.275)	(163.658)
<b>Total (Net)</b>	<b>72.461</b>	<b>(58.016)</b>

e. Explanations on other operating income:

As of 30 September 2014, other operating income consists of reversal of the previous year provision amounting to TL 77.344 (30 September 2013: 4.593), gain on sale of non-performing receivables amounting to TL 27.896 (30 September 2013: None), telecommunication expense provision amounting to TL 1.677 (30 September 2013: TL : 2.504), gain on sale of assets amounting to TL 1.150 (30 September 2013: TL 1.867) and other income amounting to TL 17.721 (30 September 2013: TL 18.006).

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

	Current Period 30 September 2014	Prior Period 30 September 2013
Specific Provisions for Loans and Other Receivables	406.296	255.890
III. Group Loans and Receivables	38.674	5.502
IV. Group Loans and Receivables	139.229	42.319
V. Group Loans and Receivables	228.393	208.069
General Provision Expenses	27.532	86.119
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	2.760	4.458
Financial Assets at Fair Value Through Profit or Loss	79	1.495
Available-for-sale Financial Assets	2.681	2.963
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	3.950	9.748
<b>Total</b>	<b>440.538</b>	<b>356.215</b>



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g. Information related to other operating expenses:

	Current Period 30 September 2014	Prior Period 30 September 2013
Personnel Expenses	459.438	444.951
Reserve for Employee Termination Benefits	9.341	6.335
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	27.872	35.600
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	8.986	3.762
Impairment Expenses on Equity Accounted Investees	-	-
Impairment Expenses on Assets Held for Sale	-	-
Depreciation Expenses on Assets Held for Sale	89	86
Impairment Expenses on Non-Current Assets Held for Sale and discontinued operations	305.222	321.789
Operational Lease Expenses	101.576	95.595
Maintenance Expenses	27.989	18.942
Advertisement Expenses	34.186	37.335
Other Expenses	141.471	169.917
Loss on Sales of Assets	324	245
Other	195.447	136.645
<b>Total</b>	<b>1.006.719</b>	<b>949.413</b>

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

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

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

As of 30 September 2014, the Group has corporate tax provision expense amounting to TL 7.981 (30 September 2013: TL 29.268) and deferred tax expense amounting to TL 3.601 (30 September 2013 deferred tax expense: TL 21.550).

The total amount of deferred tax expense, amounting to TL 3.601 (30 September 2013 deferred tax expense: TL 21.550), stated in the financial statements of the Group in the current period consists of the temporary differences calculated over the timing differences between the accounting policies applied and valuation principles and the tax legislation.

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

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

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

k. Explanations on net profit and loss:

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

Net interest income, amounting to TL 899.532 (30 September 2013: TL 1.002.542), net wage and commission income amounting to TL 520.934 (30 September 2013: TL 461.432), and net trade loss amounting to TL 142.060 (30 September 2013: TL 49.789) have an important role among the income items in the interim accounting period ending on 30 September 2014. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank's interest income are the interests received from loans, securities and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

"Other fee and commissions" in the income statement, mainly consist of commissions received from credit card transactions and investment fund.

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- V. EXPLANATIONS AND NOTES RELATED TO THE CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY
- a. Information on the current year adjustments made in accordance with the requirements of the accounting Standard on Financial Instruments:
1. Increases after the revaluation of available-for-sale investments:  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
2. Information on increases in cash flow hedges:  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
- b. Information on adjustments made for the application of Standard on Accounting for Financial Instruments in the current year:
1. Information on available-for-sale investments:  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
2. Information on cash flow hedges:  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
- c. Explanations on dividend distribution:  
None.
- d. Explanations on issuance of common stock:  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
- e. Effects of the adjustments to prior periods on the opening balance sheets:  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
- f. Offsetting prior period's losses:  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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

- a. **Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:**  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
- b. **Information on cash flows arising from acquisition of associates, subsidiaries and other investments:**  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
- c. **Information on disposals of associates, subsidiaries or other investments:**  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
- d. **Information on cash and cash equivalents:**  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".
- e. **Additional information:**  
Not disclosed in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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VII. EXPLANATIONS AND NOTES RELATED TO THE GROUP'S RISK GROUP

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

1. Current Period – 30 September 2014:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables	-	-	-	-	-	-
Opening Balance	-	-	14 488	660 353	26	53
Closing Balance	-	-	5 904	645 830	-	6
Interest and Commissions Income	-	-	203	1 072	-	-

2. Prior Period - 31 December 2013:

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	-	-	12 104	356 225	15	-
Closing Balance	-	-	14 488	660 353	26	53
Interest and Commissions Income(*)	-	-	387	1 109	-	-

(\*) The prior period balances present amounts of 30 September 2013

3. Deposits held by the Group's risk group:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period 30 September 2014	Prior Period 31 December 2013	Current Period 30 September 2014	Prior Period 31 December 2013	Current Period 30 September 2014	Prior Period 31 December 2013
Deposit						
Opening Balance	4 044	3 808	50 715	33 834	376	4 527
Closing Balance	547	4 044	27 588	50 715	6 716	376
Interest expense on deposits(*)	-	-	-	-	305	-

(\*) The prior period balances present amounts of 30 September 2013.

4. Information on forward transactions, option agreements and similar transactions between the Group's risk group:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period 30 September 2014	Prior Period 31 December 2013	Current Period 30 September 2014	Prior Period 31 December 2013	Current Period 30 September 2014	Prior Period 31 December 2013
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	88 076 697	30 887 791	-	-
Closing Balance	-	-	82 946 447	88 076 697	-	-
Total Profit/Loss	-	-	123 117	(6 112)	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	2 455 418	-	-	-
Total Profit/Loss	-	-	289	-	-	-

(\*) The prior period balances present amounts of 30 September 2013.

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

As of 30 September 2014, payment is made to top executives of the Group amounting to TL 60.935 (30 September 2013: TL 53.201).

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I  
HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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

**1. Information on the Parent Bank's domestic and foreign branches and foreign representatives of the Parent Bank:**

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

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

**1. Transactions that have not been finalized and their effect on the consolidated financial statements:**

None.

**2. Information about the effect on foreign currency transactions and financial statements of significant changes in foreign exchange rates after the balance sheet date and foreign operations of the Parent Bank:**

There is no significant change appeared after balance sheet date and needed to be explained in foreign currency rates.

**SECTION SIX**

**OTHER EXPLANATIONS**

**I. OTHER EXPLANATIONS ON THE GROUP'S OPERATIONS**

None.

**SECTION SEVEN**

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

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

As of 30 September 2014, consolidated financial statements and explanatory notes disclosed herein were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a Turkish member of KPMG International Cooperative, a Swiss entity) and review report dated 21 November 2014 is presented before to the consolidated financial statements.

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

None.

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