



**(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY  
ISSUED IN TURKISH, SEE NOTE 3.1)**

**HSBC BANK A.Ş.**

**PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR  
ENDED 31 DECEMBER 2014**

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

**27 February 2015**

*This report consists of 2 page Independent Auditors'  
Report and 97 pages 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 REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH (SEE NOTE 3.I)**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of HSBC Bank Anonim Şirketi

We have audited the consolidated balance sheet of HSBC Bank Anonim Şirketi ("the Bank") and its consolidated financial subsidiaries as of 31 December 2014, the consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and notes to the financial statements.

*Disclosure for the Responsibility of the Bank's Board of Directors*

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the consolidated financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

*Disclosure for the Responsibility of the Authorized Audit Firm*

Our responsibility, as independent auditors, is to express an opinion on these consolidated financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no.26333 dated 1 November 2006 and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.



*Independent Auditor's Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of HSBC Bank Anonim Şirketi and its consolidated financial subsidiaries as of 31 December 2014 and the result of its consolidated operations and consolidated cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 and 38 of (Turkish) Banking Law No 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

*Report on Other Legal and Regulatory Requirements*

Pursuant to the fourth paragraph of Article 402 of the TCC no.6102; no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member of KPMG International Cooperative

Murat Alsan  
*Partner*

27 February 2015  
Istanbul, Turkey

**Additional paragraph for convenience translation to English**

As explained in Section 3.I, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of consolidated 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. AND ITS FINANCIAL AFFILIATES AS OF AND FOR THE YEAR ENDED 31 DECEMBER 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 year-end 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
- INDEPENDENT AUDITOR'S REPORT

The 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 audit and are presented enclosed.

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

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

Brian Robertson  
Chairman

James Emmett  
General  
Manager

Neslihan Erkanancı  
Financial Reporting  
Assistant General  
Manager

Yehozan 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.

Web Adresi: www.hsbc.com.tr

İrtibat Bilgileri Tel: 0212 376 40 00 Fax: 0212 376 28 38 / 336 28 38 / 336 21 41 / 336 22 60

## **SECTION ONE**

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**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 AS AT 31 DECEMBER 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 shareholder HSBC Bank Plc. According to this agreement the required procedures shall be completed by 31 October 2001 and all shares of the Demirbank T.A.Ş., together with a part of the assets and liabilities shall be transferred to HSBC Bank Plc on 31 October 2001. In 14 December 2001, Demirbank T.A.Ş. and the Bank merged under the name of HSBC Bank Anonim Şirketi and continued its activities. On 19 September 2002, the Bank has signed the share sales agreement with Benkar Tüketici Finansmanı ve Kart Hizmetleri A.Ş. ("Benkar") and acquired all shares of Benkar. On 25 December 2002 according to both Benkar's and the Bank's board of directors' minute all assets and liabilities of Benkar is transferred to the Bank.

**II. EXPLANATION ABOUT THE 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 31 December 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 31 December 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 Parent Bank is comprising 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 ORIGINALLY ISSUED  
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HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 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              | Member and CEO                   | Graduate         |
|                                  | Kevin Peter SAWLE         | Member                           | Associate Degree |
|                                  | Hamit AYDOĞAN             | Member                           | Undergraduate    |
|                                  | Mehmet Gani SÖNMEZ        | Member                           | Undergraduate    |
|                                  | Leyla ETKER               | Member                           | Graduate         |
|                                  | Gilles Paul Marie DENOYEL | Member                           | Graduate         |
|                                  | Edvard Michael FLANDERS   | Member                           | Undergraduate    |
| CEO:                             | James EMMETT              | CEO                              | Graduate         |
| Head of Internal Audit:          | Tolunay KANŞAY            | Head of Internal Audit           | Undergraduate    |
| Chief Assistant General Manager: | Necdet Murat ŞARSEL       | Credit and Risk                  | Graduate         |
|                                  | Rüçhan ÇANDAR (*)         | Technology and Service Groups    | Graduate         |
| Executive Vice Presidents:       | Necdet Murat ŞARSEL       | Credit and Risk                  | Graduate         |
|                                  | Virma SÖKMEN              | Corporate and Commercial Banking | Undergraduate    |
|                                  | Hulusi HOROZOĞLU          | Global and Investment Banking    | Graduate         |
|                                  | Taylan TURAN              | Retail Banking                   | Graduate         |
|                                  | Ali Batu KARAALI          | Treasury and Capital Markets     | Graduate         |
|                                  | Neslihan ERKAZANCI        | Financial Control                | Undergraduate    |
|                                  | Ali Dündar PARLAR         | Internal Systems and Regulations | Undergraduate    |
|                                  | Rüçhan ÇANDAR (*)         | Technology and Service Groups    | Graduate         |
|                                  | Şengül DEMİRCAN           | Human Resources                  | Undergraduate    |
| Audit Committee:                 | Gilles Paul Marie DENOYEL | Head of the Audit Committee      | Graduate         |
|                                  | Hamit AYDOĞAN             | Member of the Audit Committee    | Undergraduate    |
|                                  | Leyla ETKER               | Member of the Audit Committee    | Graduate         |

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

(\*) As of 30 January 2015 by the Board Decision no. 13202, Rüçhan Çandar appointed to Executive Vice President of Technology and Service Groups. Before this date on 31 October 2014 by the Board Decision no. 13171 Rüçhan Çandar was appointed to Chief Assistant General Manager of Technology and Service Groups.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 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 forfaiting 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, Allianz Hayat ve Emeklilik, 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 31 December 2014, the Bank has 294 branches dispersed throughout the country and 4 branches operating abroad (31 December 2013: 311 branches and 4 branches operating abroad).

As of 31 December 2014, the number of employees of the Group is 5.718 (31 December 2012: 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  
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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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

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

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

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

None.

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**HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

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**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 Income and Expenses Items Recognised Under Shareholders' Equity**
- V. Consolidated Statements of Changes in Shareholders' Equity**
- VI. Consolidated Statements of Cash Flows**
- VII. Consolidated Profit Distribution Statement**

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 AT 31 DECEMBER 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<br>(Section<br>Five I) | Current Period<br>(31/12/2014) |                  |                   | Prior Period<br>(31/12/2013) |                   |                   |
|--|-----------------------------|--------------------------------|------------------|-------------------|------------------------------|-------------------|-------------------|
|  |                             | TL                             | FC               | Total             | TL                           | FC                | Total             |
|  |                             | ASSETS                         |                  |                   |                              |                   |                   |
| I. CASH BALANCES WITH CENTRAL BANK   | (I-a)                       | 897.581                        | 2.608.077        | 3.505.658         | 294.916                      | 3.404.357         | 3.699.273         |
| II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)          | (I-b)                       | 840.515                        | 171.098          | 1.011.613         | 629.702                      | 1.349.134         | 1.978.836         |
| 2 1 Trading Financial Assets   |                             | 840.515                        | 171.098          | 1.011.613         | 629.702                      | 1.349.134         | 1.978.836         |
| 2 1 1 Government Debt Securities   |                             | 374.043                        | 16.413           | 390.456           | 552.339                      | 9.222             | 561.561           |
| 2 1 2 Share Certificates   |                             | -                              | -                | -                 | -                            | -                 | -                 |
| 2 1 3 Trading Derivative Financial Assets                                  |                             | 463.597                        | 154.685          | 618.282           | 67.050                       | 1.339.912         | 1.406.962         |
| 2 1 4 Other Marketable Securities  |                             | 2.875                          | -                | 2.875             | 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)                       | 1.014.834                      | 858.492          | 1.873.326         | 511.128                      | 1.155.361         | 1.666.489         |
| IV. MONEY MARKETS  |                             | 6.833.606                      | -                | 6.833.606         | 6.660.942                    | 126.315           | 6.787.257         |
| 4 1 Interbank Money Market Placements                                      |                             | -                              | -                | -                 | -                            | -                 | -                 |
| 4 2 Receivables from Istanbul Stock Exchange Money Market                  |                             | -                              | -                | -                 | -                            | 126.315           | 126.315           |
| 4 3 Receivables from Reverse Repurchase Agreements                         |                             | 6.833.606                      | -                | 6.833.606         | 6.660.942                    | -                 | 6.660.942         |
| V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)                               | (I-d)                       | 530.409                        | -                | 530.409           | 2.249.331                    | -                 | 2.249.331         |
| 5 1 Share Certificates   |                             | 4.385                          | -                | 4.385             | 4.225                        | -                 | 4.225             |
| 5 2 Government Debt Securities   |                             | 526.024                        | -                | 526.024           | 2.245.106                    | -                 | 2.245.106         |
| 5 3 Other Marketable Securities  |                             | -                              | -                | -                 | -                            | -                 | -                 |
| VI. LOANS  | (I-e)                       | 14.562.700                     | 4.773.361        | 19.336.061        | 14.682.218                   | 4.418.795         | 19.101.013        |
| 6 1 Loans  |                             | 14.085.380                     | 4.773.068        | 18.858.448        | 14.330.349                   | 4.418.795         | 18.749.144        |
| 6 1 1 Bank's Risk Group  | (VII)                       | -                              | 3.964            | 3.964             | 2.612                        | 11.902            | 14.514            |
| 6 1 2 Government Debt Securities   |                             | -                              | -                | -                 | -                            | -                 | -                 |
| 6 1 3 Other  |                             | 14.085.380                     | 4.769.104        | 18.854.484        | 14.327.737                   | 4.406.893         | 18.734.630        |
| 6 2 Loans Under Follow-Up  |                             | 1.240.197                      | 423              | 1.240.620         | 1.192.309                    | 14.088            | 1.206.397         |
| 6 3 Specific Provisions (-)  |                             | 762.877                        | 130              | 763.007           | 840.440                      | 14.088            | 854.528           |
| VII. FACTORING RECEIVABLES   |                             | 162.512                        | 15.793           | 178.305           | 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)                       | 36.299                         | -                | 36.299            | -                            | -                 | -                 |
| 13 1 Fair Value Hedge  |                             | -                              | -                | -                 | -                            | -                 | -                 |
| 13 2 Cash Flow Hedge   |                             | 36.299                         | -                | 36.299            | -                            | -                 | -                 |
| 13 3 Foreign Net Investment Hedge  |                             | -                              | -                | -                 | -                            | -                 | -                 |
| XIV. PROPERTY AND EQUIPMENT (Net)  | (I-l)                       | 115.155                        | -                | 115.155           | 130.081                      | -                 | 130.081           |
| XV. INTANGIBLE ASSETS (Net)  | (I-m)                       | 119.268                        | -                | 119.268           | 107.386                      | -                 | 107.386           |
| 15 1 Goodwill  |                             | 83.450                         | -                | 83.450            | 83.450                       | -                 | 83.450            |
| 15 2 Other   |                             | 35.818                         | -                | 35.818            | 23.936                       | -                 | 23.936            |
| XVI. INVESTMENT PROPERTY (Net)   | (I-n)                       | -                              | -                | -                 | -                            | -                 | -                 |
| XVII. TAX ASSET  |                             | 121.150                        | -                | 121.150           | 46.700                       | -                 | 46.700            |
| 17 1 Current Tax Asset   |                             | 74.170                         | -                | 74.170            | 46                           | -                 | 46                |
| 17 2 Deferred Tax Asset  | (I-o)                       | 46.980                         | -                | 46.980            | 46.654                       | -                 | 46.654            |
| XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net) | (I-p)                       | 3.179                          | -                | 3.179             | 4.394                        | -                 | 4.394             |
| 18 1 Held for sale Purposes  |                             | 3.179                          | -                | 3.179             | 4.394                        | -                 | 4.394             |
| 18 2 Related to Discontinued Operations                                    |                             | -                              | -                | -                 | -                            | -                 | -                 |
| XIX. OTHER ASSETS  | (I-r)                       | 181.571                        | 17.113           | 198.684           | 198.705                      | 233.858           | 432.563           |
| <b>TOTAL ASSETS</b>  |                             | <b>25.419.049</b>              | <b>8.443.934</b> | <b>33.862.983</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 15 to 97 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 AT 31 DECEMBER 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<br>(Section<br>Five II) | Current Period<br>(31/12/2014) |                   |                   | Prior Period<br>(31/12/2013) |                   |                   |
|---|------------------------------|--------------------------------|-------------------|-------------------|------------------------------|-------------------|-------------------|
|   |                              | LIABILITIES                    |                   |                   | LIABILITIES                  |                   |                   |
|   |                              | TL                             | FC                | Total             | TL                           | FC                | Total             |
| I. DEPOSITS   | (II-a)                       | 10,959,625                     | 8,064,118         | 19,023,743        | 10,302,636                   | 7,276,794         | 17,579,430        |
| 1.1 Deposits of Bank's Risk Group   | (VII)                        | 54,492                         | 3,653             | 58,145            | 54,857                       | 278               | 55,135            |
| 1.2 Other   |                              | 10,905,133                     | 8,060,465         | 18,965,598        | 10,247,779                   | 7,276,516         | 17,524,295        |
| II. TRADING DERIVATIVE FINANCIAL LIABILITIES  | (II-b)                       | 78,815                         | 424,825           | 503,640           | 15,903                       | 1,292,473         | 1,308,376         |
| III. BORROWINGS   | (II-d)                       | 2,512,834                      | 5,696,132         | 8,208,966         | 2,879,677                    | 6,775,237         | 9,654,914         |
| IV. MONEY MARKETS   |                              | 395,596                        | -                 | 395,596           | 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-e)                       | 395,596                        | -                 | 395,596           | 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   |                              | 444,911                        | 150,701           | 595,612           | 528,218                      | 7,908             | 536,126           |
| VIII. OTHER LIABILITIES   | (II-e)                       | 427,600                        | 70,133            | 497,733           | 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)                       | 8,615                          | -                 | 8,615             | -                            | -                 | -                 |
| 11.1 Fair Value Hedge   |                              | -                              | -                 | -                 | -                            | -                 | -                 |
| 11.2 Cash Flow Hedge  |                              | 8,615                          | -                 | 8,615             | -                            | -                 | -                 |
| 11.3 Foreign Net Investment Hedge   |                              | -                              | -                 | -                 | -                            | -                 | -                 |
| XII. PROVISIONS   | (II-h)                       | 458,055                        | 1,749             | 459,804           | 454,873                      | 2,306             | 457,179           |
| 12.1 General Loan Loss Provision  |                              | 362,405                        | -                 | 362,405           | 347,299                      | -                 | 347,299           |
| 12.2 Restructuring Provisions   |                              | -                              | -                 | -                 | -                            | -                 | -                 |
| 12.3 Reserve for Employee Rights  |                              | 34,799                         | -                 | 34,799            | 31,692                       | -                 | 31,692            |
| 12.4 Insurance Technical Provisions (Net)   |                              | -                              | -                 | -                 | -                            | -                 | -                 |
| 12.5 Other Provisions   |                              | 60,851                         | 1,749             | 62,600            | 75,882                       | 2,306             | 78,188            |
| XIII. TAX LIABILITY   | (II-i)                       | 51,016                         | -                 | 51,016            | 45,737                       | -                 | 45,737            |
| 13.1 Current Tax Liability  |                              | 51,016                         | -                 | 51,016            | 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)                       | -                              | 1,073,095         | 1,073,095         | -                            | 1,027,349         | 1,027,349         |
| XVI. SHAREHOLDERS' EQUITY   | (II-l)                       | 3,045,163                      | -                 | 3,045,163         | 3,067,419                    | -                 | 3,067,419         |
| 16.1 Paid-in Capital  |                              | 652,290                        | -                 | 652,290           | 652,290                      | -                 | 652,290           |
| 16.2 Capital Reserves   |                              | 279,387                        | -                 | 279,387           | 245,180                      | -                 | 245,180           |
| 16.2.1 Share Premium  |                              | -                              | -                 | -                 | -                            | -                 | -                 |
| 16.2.2 Share Cancellation Profits   |                              | -                              | -                 | -                 | -                            | -                 | -                 |
| 16.2.3 Marketable Securities Valuation Differences  |                              | 7,336                          | -                 | 7,336             | (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)  |                              | (642)                          | -                 | (642)             | -                            | -                 | -                 |
| 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  |                              | 2,170,590                      | -                 | 2,170,590         | 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  |                              | (1,823)                        | -                 | (1,823)           | (1,823)                      | -                 | (1,823)           |
| 16.4 Income or (Loss)   |                              | (57,104)                       | -                 | (57,104)          | 44,403                       | -                 | 44,403            |
| 16.4.1 Prior Years' Income or (Loss)  |                              | -                              | -                 | -                 | -                            | -                 | -                 |
| 16.4.2 Current Year Income or (Loss)  |                              | (57,104)                       | -                 | (57,104)          | 44,403                       | -                 | 44,403            |
| 16.5 Minority Interest  |                              | -                              | -                 | -                 | -                            | -                 | -                 |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                              | <b>18,382,230</b>              | <b>15,480,753</b> | <b>33,862,983</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 15 to 97 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 AT 31 DECEMBER 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 (31/12/2014) |                    |                    | Prior Period (31/12/2013) |                    |                    |
|---|-------------------------|-----------------------------|--------------------|--------------------|---------------------------|--------------------|--------------------|
|   |                         | TL                          | FC                 | Total              | TL                        | FC                 | Total              |
| <b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>                      |                         | <b>51,852,792</b>           | <b>66,964,579</b>  | <b>118,817,371</b> | <b>53,034,227</b>         | <b>77,007,695</b>  | <b>130,041,922</b> |
| <b>I. GUARANTEES AND WARRANTIES</b>                                     | (III-a-2,3)             | <b>713,118</b>              | <b>2,352,586</b>   | <b>3,065,704</b>   | <b>424,902</b>            | <b>3,228,869</b>   | <b>3,645,771</b>   |
| 1.1 Letters of Guarantee  |                         | 713,118                     | 546,381            | 1,259,499          | 423,202                   | 716,737            | 1,139,939          |
| 1.1.1 Guarantees Subject to State Tender Law                            |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 1.1.2 Guarantees Given for Foreign Trade Operations                     |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 1.1.3 Other Letters of Guarantee  |                         | 713,118                     | 546,381            | 1,259,499          | 423,202                   | 716,737            | 1,139,939          |
| 1.2 Bank Acceptances  |                         | -                           | 721,520            | 721,520            | -                         | 1,212,692          | 1,212,692          |
| 1.2.1 Import Letter of Acceptance                                       |                         | -                           | 709,855            | 709,855            | -                         | 1,206,906          | 1,206,906          |
| 1.2.2 Other Bank Acceptances  |                         | -                           | 11,665             | 11,665             | -                         | 5,786              | 5,786              |
| 1.3 Letters of Credit   |                         | -                           | 686,323            | 686,323            | 1,700                     | 773,310            | 773,010            |
| 1.3.1 Documentary Letters of Credit                                     |                         | -                           | 355,433            | 355,433            | -                         | 545,307            | 545,307            |
| 1.3.2 Other Letters of Credit   |                         | -                           | 330,890            | 330,890            | 1,700                     | 228,003            | 229,703            |
| 1.4 Refinancing Given as Guarantee                                      |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 1.5 Endorsements  |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 1.5.1 Endorsements to the Central Bank of the Republic of Turkey        |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 1.5.2 Other Endorsements  |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 1.6 Securities Issue Purchase Guarantees                                |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 1.7 Factoring Guarantees  |                         | -                           | -                  | -                  | -                         | 510,061            | 510,061            |
| 1.8 Other Guarantees  |                         | -                           | 398,362            | 398,362            | -                         | 8,069              | 8,069              |
| 1.9 Other Collaterals   |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| <b>II. COMMITMENTS</b>  | (III-a-1)               | <b>11,461,109</b>           | <b>8,599,274</b>   | <b>20,060,383</b>  | <b>14,138,122</b>         | <b>9,379,324</b>   | <b>23,517,446</b>  |
| 2.1 Irrevocable Commitments   |                         | 11,461,109                  | 8,599,274          | 20,060,383         | 14,138,122                | 9,379,324          | 23,517,446         |
| 2.1.1 Asset Purchase and Sale Commitments                               |                         | 2,597,293                   | 7,420,577          | 10,017,870         | 5,868,259                 | 8,886,247          | 14,754,506         |
| 2.1.2 Deposit Purchase and Sales Commitments                            |                         | -                           | 1,175,103          | 1,175,103          | -                         | 492,890            | 492,890            |
| 2.1.3 Share Capital Commitments to Associates and Subsidiaries          |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 2.1.4 Loan Granting Commitments   |                         | 839,213                     | 1,050              | 840,263            | 296,202                   | -                  | 296,202            |
| 2.1.5 Securities Issue Brokerage Commitments                            |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 2.1.6 Commitments for Reserve Deposit Requirements                      |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 2.1.7 Commitments for Cheques   |                         | 557,693                     | -                  | 557,693            | 609,967                   | -                  | 609,967            |
| 2.1.8 Tax and Fund Liabilities from Export Commitments                  |                         | 5,614                       | -                  | 5,614              | 3,931                     | -                  | 3,931              |
| 2.1.9 Commitments for Credit Card Limits                                |                         | 6,364,673                   | -                  | 6,364,673          | 6,469,426                 | -                  | 6,469,426          |
| 2.1.10 Commitments for Credit Cards and Banking Services Promotions     |                         | 19,022                      | -                  | 19,022             | 15,465                    | -                  | 15,465             |
| 2.1.11 Receivables from Short Sale Commitments of Marketable Securities |                         | -                           | 1,170              | 1,170              | -                         | -                  | -                  |
| 2.1.12 Payables for Short Sale Commitments of Marketable Securities     |                         | -                           | 1,170              | 1,170              | -                         | -                  | -                  |
| 2.1.13 Other Irrevocable Commitments                                    |                         | 1,077,601                   | 204                | 1,077,805          | 874,872                   | 187                | 875,059            |
| 2.2 Revocable Commitments   |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 2.2.1 Revocable Loan Granting Commitments                               |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 2.2.2 Other Revocable Commitments                                       |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| <b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>                            | (III-b)                 | <b>39,678,565</b>           | <b>56,812,719</b>  | <b>95,691,284</b>  | <b>38,471,203</b>         | <b>64,407,502</b>  | <b>102,878,705</b> |
| 3.1 Hedging Derivative Financial Instruments                            |                         | 1,205,019                   | 1,269,486          | 2,474,505          | -                         | -                  | -                  |
| 3.1.1 Transactions for Fair Value Hedge                                 |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 3.1.2 Transactions for Cash Flow Hedge                                  |                         | 1,205,019                   | 1,269,486          | 2,474,505          | -                         | -                  | -                  |
| 3.1.3 Transactions for Foreign Net Investment Hedge                     |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 3.2 Trading Transactions  |                         | 38,473,546                  | 54,743,233         | 93,216,779         | 38,471,203                | 64,407,502         | 102,878,705        |
| 3.2.1 Forward Foreign Currency Buy/Sell Transactions                    |                         | 2,642,266                   | 4,008,854          | 6,651,120          | 2,638,403                 | 5,311,616          | 7,950,019          |
| 3.2.1.1 Forward Foreign Currency Transactions-Buy                       |                         | 1,788,700                   | 1,528,250          | 3,316,950          | 1,048,572                 | 2,957,750          | 4,006,322          |
| 3.2.1.2 Forward Foreign Currency Transactions-Sell                      |                         | 853,566                     | 2,480,604          | 3,334,170          | 1,589,831                 | 2,353,866          | 3,943,697          |
| 3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates  |                         | 34,514,898                  | 48,362,765         | 82,877,663         | 32,483,048                | 46,972,346         | 79,455,386         |
| 3.2.2.1 Foreign Currency Swap-Buy                                       |                         | 15,057,899                  | 21,133,810         | 36,191,709         | 14,666,978                | 21,348,422         | 36,015,400         |
| 3.2.2.2 Foreign Currency Swap-Sell                                      |                         | 19,456,999                  | 16,227,779         | 35,734,778         | 17,816,062                | 18,160,268         | 35,976,330         |
| 3.2.2.3 Interest Rate Swap-Buy  |                         | -                           | 5,475,588          | 5,475,588          | -                         | 3,731,828          | 3,731,828          |
| 3.2.2.4 Interest Rate Swap-Sell   |                         | -                           | 5,475,588          | 5,475,588          | -                         | 3,731,828          | 3,731,828          |
| 3.2.3 Foreign Currency, Interest rate and Securities Options            |                         | 1,316,382                   | 2,017,034          | 3,333,416          | 3,349,760                 | 4,974,580          | 8,324,340          |
| 3.2.3.1 Foreign Currency Options-Buy                                    |                         | 658,191                     | 1,008,517          | 1,666,708          | 1,674,880                 | 2,487,290          | 4,162,170          |
| 3.2.3.2 Foreign Currency Options-Sell                                   |                         | 658,191                     | 1,008,517          | 1,666,708          | 1,674,880                 | 2,487,290          | 4,162,170          |
| 3.2.3.3 Interest Rate Options-Buy                                       |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 3.2.3.4 Interest Rate Options-Sell                                      |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 3.2.3.5 Securities Options-Buy  |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 3.2.3.6 Securities Options-Sell   |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 3.2.4 Foreign Currency Futures  |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 3.2.4.1 Foreign Currency Futures-Buy                                    |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 3.2.4.2 Foreign Currency Futures-Sell                                   |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 3.2.5 Interest Rate Futures   |                         | -                           | -                  | -                  | -                         | 6,853,314          | 6,853,314          |
| 3.2.5.1 Interest Rate Futures-Buy                                       |                         | -                           | -                  | -                  | -                         | 3,426,657          | 3,426,657          |
| 3.2.5.2 Interest Rate Futures-Sell                                      |                         | -                           | -                  | -                  | -                         | 3,426,657          | 3,426,657          |
| 3.2.6 Other   |                         | -                           | 354,580            | 354,580            | -                         | 295,646            | 295,646            |
| <b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>                        |                         | <b>59,414,548</b>           | <b>80,657,748</b>  | <b>140,072,296</b> | <b>60,981,012</b>         | <b>69,795,710</b>  | <b>130,776,722</b> |
| <b>IV. ITEMS HELD IN CUSTODY</b>  |                         | <b>29,219,819</b>           | <b>1,474,334</b>   | <b>30,694,153</b>  | <b>30,088,000</b>         | <b>1,527,818</b>   | <b>31,525,818</b>  |
| 4.1 Customer Fund and Portfolio Balances                                |                         | 1,454,823                   | -                  | 1,454,823          | 1,402,913                 | -                  | 1,402,913          |
| 4.2 Investment Securities Held in Custody                               |                         | 20,670,095                  | 1,215,352          | 21,885,447         | 21,913,194                | 1,039,432          | 24,952,626         |
| 4.3 Checks Received for Collection                                      |                         | 2,050,960                   | 202,002            | 2,252,962          | 2,148,173                 | 257,636            | 2,405,809          |
| 4.4 Commercial Notes Received for Collection                            |                         | 80,463                      | -                  | 80,463             | -                         | 67,060             | 67,060             |
| 4.5 Other Assets Retained for Collection                                |                         | -                           | 8,598              | 8,598              | -                         | 6,673              | 6,673              |
| 4.6 Assets Received for Public Offering                                 |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 4.7 Other Items Under Custody   |                         | 4,963,478                   | 48,382             | 5,011,860          | 2,476,660                 | 220,070            | 2,700,730          |
| 4.8 Custodians  |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| <b>V. PLEDGES RECEIVED</b>  |                         | <b>12,516,539</b>           | <b>14,638,204</b>  | <b>27,154,743</b>  | <b>14,064,235</b>         | <b>11,687,638</b>  | <b>25,751,873</b>  |
| 5.1 Marketable Securities   |                         | 309,646                     | 10,108             | 319,754            | 2,111,837                 | 13,661             | 2,145,498          |
| 5.2 Guarantee Notes   |                         | 666,617                     | 1,798,051          | 2,464,668          | 722,091                   | 1,739,020          | 2,461,111          |
| 5.3 Commodity   |                         | 240                         | 3,123              | 3,363              | 1,340                     | 4,703              | 6,043              |
| 5.4 Warranty  |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| 5.5 Immovable   |                         | 8,676,245                   | 2,771,856          | 11,448,101         | 8,530,128                 | 3,151,276          | 11,681,404         |
| 5.6 Other Pledged Items   |                         | 2,663,791                   | 10,053,066         | 12,716,857         | 2,678,839                 | 6,778,978          | 9,457,817          |
| 5.7 Pledged Items-Depository  |                         | -                           | -                  | -                  | -                         | -                  | -                  |
| <b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>               |                         | <b>17,678,190</b>           | <b>64,545,210</b>  | <b>82,223,400</b>  | <b>16,908,777</b>         | <b>56,580,261</b>  | <b>73,489,838</b>  |
| <b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>                        |                         | <b>111,267,340</b>          | <b>147,622,327</b> | <b>258,889,667</b> | <b>114,815,239</b>        | <b>146,803,405</b> | <b>260,818,644</b> |

The accompanying explanations and notes set out on pages 15 to 97 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 INCOME STATEMENTS FOR THE PERIODS ENDED  
31 DECEMBER 2014 AND 31 DECEMBER 2013

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

| III.   | INCOME STATEMENTS   | Note<br>(Section<br>Five IV) | Current Period<br>(01/01/2014 - 31/12/2014) | Prior Period<br>(01/01/2013 - 31/12/2013) |
|--------|---|------------------------------|---|---|
|        | <b>INCOME AND EXPENSE ITEMS</b>   |                              |   |   |
| I.     | <b>INTEREST INCOME</b>  | (V-IV-a)                     | 2.594.359                                   | 2.266.985                                 |
| 1.1    | Interest on Loans   | (V-IV-a-1)                   | 1.873.456                                   | 1.778.471                                 |
| 1.2    | Interest Received from Reserve Requirements   |                              | 1.280                                       | -   |
| 1.3    | Interest Received from Banks  | (V-IV-a-2)                   | 96.420                                      | 51.255                                    |
| 1.4    | Interest Received from Money Market Transactions  |                              | 480.260                                     | 144.922                                   |
| 1.5    | Interest Received from Marketable Securities Portfolio  | (V-IV-a-3)                   | 95.125                                      | 248.670                                   |
| 1.5.1  | Trading Financial Assets  |                              | 19.326                                      | 33.231                                    |
| 1.5.2  | Financial Assets at Fair Value through Profit or (Loss)   |                              | -   | -   |
| 1.5.3  | Available-for-sale Financial Assets   |                              | 75.799                                      | 215.439                                   |
| 1.5.4  | Held to Maturity Investments  |                              | -   | -   |
| 1.6    | Financial Lease Income  |                              | -   | -   |
| 1.7    | Other Interest Income   |                              | 47.818                                      | 43.667                                    |
| II.    | <b>INTEREST EXPENSE</b>   | (V-IV-b)                     | 1.356.902                                   | 964.172                                   |
| 2.1    | Interest on Deposits  | (V-IV-b-4)                   | 990.917                                     | 635.057                                   |
| 2.2    | Interest on Funds Borrowed  | (V-IV-b-1)                   | 320.585                                     | 292.967                                   |
| 2.3    | Interest Expense on Money Market Transactions   | (V-IV-b-5)                   | 40.142                                      | 31.393                                    |
| 2.4    | Interest on Securities Issued   | (V-IV-b-3)                   | -   | -   |
| 2.5    | Other Interest Expenses   |                              | 5.258                                       | 4.755                                     |
| III.   | <b>NET INTEREST INCOME (I + II)</b>   |                              | 1.237.457                                   | 1.302.813                                 |
| IV.    | <b>NET FEES AND COMMISSIONS INCOME</b>  |                              | 670.319                                     | 621.250                                   |
| 4.1    | Fees and Commissions Received   |                              | 720.692                                     | 669.206                                   |
| 4.1.1  | Non-cash Loans  |                              | 19.694                                      | 19.082                                    |
| 4.1.2  | Other   |                              | 700.998                                     | 650.124                                   |
| 4.2    | Fees and Commissions Paid   |                              | 50.373                                      | 47.956                                    |
| 4.2.1  | Non-cash Loans  |                              | 175   | 580                                       |
| 4.2.2  | Other   |                              | 50.198                                      | 47.376                                    |
| V.     | <b>DIVIDEND INCOME</b>  | (V-IV-c)                     | -   | 4.526                                     |
| VI.    | <b>TRADING INCOME/(LOSS) (Net)</b>  | (V-IV-d)                     | (220.844)                                   | (86.836)                                  |
| 6.1    | Trading Gains/(Losses) on Securities  |                              | 10.208                                      | 3.220                                     |
| 6.2    | Derivative Financial Transactions Gains/(Losses)  |                              | 182.810                                     | (67.272)                                  |
| 6.3    | Foreign Exchange Gains/(Losses)   |                              | (413.862)                                   | (22.784)                                  |
| VII.   | <b>OTHER OPERATING INCOME</b>   | (V-IV-e)                     | 204.072                                     | 46.289                                    |
| VIII.  | <b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>   |                              | 1.891.004                                   | 1.888.042                                 |
| IX.    | <b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>  | (V-IV-f)                     | 566.921                                     | 502.211                                   |
| X.     | <b>OTHER OPERATING EXPENSES (-)</b>   | (V-IV-g)                     | 1.370.588                                   | 1.301.339                                 |
| XI.    | <b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>  |                              | (46.505)                                    | 84.492                                    |
| XII.   | <b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b> |                              | -   | -   |
| XIII.  | <b>INCOME/(LOSS) ON NET MONETARY POSITION</b>   |                              | -   | -   |
| XIV.   | <b>INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)</b>   | (V-IV-h)                     | (46.505)                                    | 84.492                                    |
| XV.    | <b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>   | (V-IV-i)                     | (10.599)                                    | (40.089)                                  |
| 16.1   | Current Tax Provision   |                              | (10.476)                                    | (54.961)                                  |
| 16.2   | Deferred Tax Provision  |                              | (123)                                       | 14.872                                    |
| XVII.  | <b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>  | (V-IV-j)                     | (57.104)                                    | 44.403                                    |
| XVIII. | <b>INCOME FROM DISCONTINUED OPERATIONS</b>  |                              | -   | -   |
| 18.1   | Income from Non-current Assets Held for Resale  |                              | -   | -   |
|        | Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)  |                              | -   | -   |
| 18.2   | Other Income From Discontinued Operations   |                              | -   | -   |
| 18.3   | Other Income From Discontinued Operations   |                              | -   | -   |
| XIX.   | <b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>  |                              | -   | -   |
| 19.1   | Expenses for Non-current Assets Held for Resale   |                              | -   | -   |
|        | Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)  |                              | -   | -   |
| 19.2   | Other Expenses From Discontinued Operations   |                              | -   | -   |
| 19.3   | Other Expenses From Discontinued Operations   |                              | -   | -   |
| XX.    | <b>PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>   |                              | -   | -   |
| XXI.   | <b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>  |                              | -   | -   |
| 21.1   | Current tax provision   |                              | -   | -   |
| 21.2   | Deferred tax provision  |                              | -   | -   |
| XXII.  | <b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>  |                              | -   | -   |
| XXIII. | <b>NET PROFIT/LOSSES (XVII+XXII)</b>  | (V-IV-k)                     | (57.104)                                    | 44.403                                    |
| 23.1   | Group's Profit/Loss   |                              | (57.104)                                    | 44.403                                    |
| 23.2   | Minority Shares Profit/Loss   |                              | -   | -   |
|        | Earnings/Loss per Share   |                              | (0,000875)                                  | 0,000681                                  |

The accompanying explanations and notes set out on pages 15 to 97 form an integral part of these consolidated financial statements.

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HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS'  
EQUITY AS AT 31 DECEMBER 2014 AND 31 DECEMBER 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<br/>(31/12/2014)</b> | <b>Prior Period<br/>(31/12/2013)</b> |
| <b>I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>                       | <b>43.561</b>                          | <b>(79.103)</b>                      |
| <b>II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>  | -                                      | -                                    |
| <b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>  | -                                      | -                                    |
| <b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>  | -                                      | -                                    |
| <b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)</b>         | <b>(803)</b>                           | -                                    |
| <b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>        | -                                      | -                                    |
| <b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>   | -                                      | -                                    |
| <b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>                              | <b>801</b>                             | -                                    |
| <b>IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>   | <b>(8.712)</b>                         | <b>15.821</b>                        |
| <b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>                                       | <b>34.847</b>                          | <b>(63.282)</b>                      |
| <b>XI. CURRENT YEAR PROFIT/LOSS</b>  | <b>(57.104)</b>                        | <b>44.403</b>                        |
| 11.1 Net Change in Fair Value of Marketable Securities (Transfer to Profit-Loss)   | (5.297)                                | (17.134)                             |
| 11.2 Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement                   | 14                                     | -                                    |
| 11.3 Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement | -                                      | -                                    |
| 11.4 Other   | (51.821)                               | 61.537                               |
| <b>XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X+XI)</b>   | <b>(22.257)</b>                        | <b>(18.879)</b>                      |

The accompanying explanations and notes set out on pages 15 to 97 form an integral part of these consolidated financial statements

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HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

| VI. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY |   |                          |                    |                                     |                  |                             |                   |                       |                           |                   |                                      |   |  |                                |                                  |                  |   |  |                    |                 |
|--|---|--------------------------|--------------------|-------------------------------------|------------------|-----------------------------|-------------------|-----------------------|---------------------------|-------------------|--------------------------------------|---|--|--------------------------------|----------------------------------|------------------|---|--|--------------------|-----------------|
|  | 31 December 2013  | Not<br>(Section<br>Five) | Paid-in<br>Capital | Adjustment<br>to Paid-in<br>Capital | Share<br>Premium | Share<br>Capital<br>Profits | Legal<br>Reserves | Statutory<br>Reserves | Extraordinary<br>Reserves | Other<br>Reserves | Current Period<br>Net<br>Profit/Loss | Prior<br>Period<br>Net<br>Profit/<br>(Loss) | Marketable<br>Sec.<br>Valuation<br>Differences | Rev. Diff. in<br>Traff. Assets | Bonus Shares<br>from Investments | Hedging<br>Funds | Rev. Diff. in<br>Traffable Held for<br>Subsidiary<br>Operations | Minority<br>Share<br>Except<br>Yield<br>Equity | Minority<br>Shares | Total<br>Equity |
| I.   | Balance at the Beginning of the Period  |                          | 652,290            | -                                   | -                | -                           | 197,550           | -                     | 1,753,411                 | 272,693           | 176,400                              | -   | 35,769   | -                              | -                                | -                | -   | 3,068,121                                      | -                  | 3,068,121       |
| II.  | Corrections According to Turkish Accounting Standard No.8                         |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| 2.1  | Correction of Errors  |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| 2.2  | Effects of the Changes in Accounting Policies                                     |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | (63,282)                                       | -                              | -                                | -                | -   | (63,282)                                       | -                  | (63,282)        |
| III.   | Adjusted Balance (1+II)   |                          | 652,290            | -                                   | -                | -                           | 197,550           | -                     | 1,753,411                 | 272,693           | 176,400                              | -   | 35,769   | -                              | -                                | -                | -   | 3,068,121                                      | -                  | 3,068,121       |
| IV.  | Changes in the Period   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| V.   | Income/Increase due to the Merger   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| VI.  | Marketable Securities Valuation Differences                                       |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| VII.   | Hedging Transactions Funds (Effective Parts)                                      |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| 6.1  | Cash Flow Hedge   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| 6.2  | Foreign Investments Hedge   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| VIII.  | Property and Equipment Re-valuation Differences                                   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| VIII   | Traffable Held Assets Re-valuation Differences                                    |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| IX.  | Bonus Shares from Investments in Associates, Subsidiaries and Joint<br>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 Associate's Equity to the Bank's<br>Equity |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| XIV.   | Capital Increase  |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| 14.1   | Cash Increase   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| 14.2   | Internal Resources  |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| XV.  | Share Premiums  |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| XVI.   | Share Cancellation Profits  |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| XVII.  | Paid-in-Capital Adjustment Difference   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| XVIII.   | Other   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | (1,823)           | -                                    | -   | -  | -                              | -                                | -                | -   | (1,823)  | -                  | (1,823)         |
| XIX.   | Current Year Income or Loss   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | 44,403                               | -   | -  | -                              | -                                | -                | -   | 44,403   | -                  | 44,403          |
| XX.  | Profit Distributions  |                          | -                  | -                                   | -                | -                           | 3,875             | -                     | 172,525                   | -                 | (176,400)                            | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| 20.1   | Dividend Paid   |                          | -                  | -                                   | -                | -                           | 3,875             | -                     | 172,525                   | -                 | (176,400)                            | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| 20.2   | Transfers to Reserves   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
| 20.3   | Other   |                          | -                  | -                                   | -                | -                           | -                 | -                     | -                         | -                 | -                                    | -   | -  | -                              | -                                | -                | -   | -  | -                  | -               |
|  | Balance at the End of the Period (I+II+III+...+XVII+XVIII)                        |                          | 652,290            | -                                   | -                | -                           | 201,425           | -                     | 1,925,936                 | 270,870           | 44,403                               | -   | (27,513)                                       | -                              | -                                | -                | -   | 3,067,419                                      | -                  | 3,067,419       |

The accompanying explanations and notes set out on pages 15 to 97 form an integral part of these consolidated financial statements



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HSC BANK A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2014  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| 31 December 2014  | Note<br>Section<br>Footnote | Paid-in<br>Capital | Adjustment<br>to Paid-in<br>Capital | Share<br>Based<br>Profits | Legal<br>Reserves | Statutory<br>Reserves | Extraordinary<br>Reserves | Other<br>Reserves | Current Period<br>Net<br>Profit/(Loss) | Prior<br>Period<br>Net<br>Profit/<br>(Loss) | Marketable<br>Securities<br>Valuation<br>Differences | Res. Diff. in<br>Tangible and<br>Intangible<br>Assets | Res. Diff. in<br>Tangible Held for<br>Sale/Dis-<br>Operable | Minority<br>Share<br>Attributable<br>to<br>Total<br>Equity | Minority<br>Share<br>Attributable<br>to<br>Total<br>Equity | Total<br>Equity |
|---|-----------------------------|--------------------|-------------------------------------|---------------------------|-------------------|-----------------------|---------------------------|-------------------|--|---|--|---|---|--|--|-----------------|
| I. Balances at the Beginning of the Period  |                             | 652,290            | -                                   | -                         | 201,433           | -                     | 1,925,936                 | 270,870           | 44,403                                 | -   | (27,513)   | -   | -   | 3,067,419  | 3,067,419  | 3,067,419       |
| II. Changes in the Period   |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| III. Increase/Decrease due to the Merger  |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| IV. Marketable Securities Valuation Differences                                     |                             |                    |                                     |                           |                   |                       |                           |                   |  |   | 34,849   |   |   | 34,849   | 34,849   | 34,849          |
| 4.1 Hedging Transactions Profits (Efficient Entry)                                  |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  | (642)   |   | (642)  | (642)  | (642)           |
| 4.2 Cash Flow Hedges  |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  | (642)   |   | (642)  | (642)  | (642)           |
| V. Valuation Differences due to Revaluation of Property and Equipment               |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| VI. Valuation Differences due to Revaluation of Intangible Assets                   |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| VII. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures   |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| VIII. Foreign Exchange Differences  |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| IX. Changes due to the Disposal of Assets   |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| X. Changes due to the Reclassification of Assets                                    |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| XI. Effect of the Changes in Investments in Associates' Equity in the Bank's Equity |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| XII. Capital Increase   |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| 12.1 Cash Increase  |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| 12.2 Intangible Resources   |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| XIII. Share Premium   |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| XIV. Share Contribution Profits   |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| XV. Paid-in-Capital Adjustment Differences  |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| XVI. Other  |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| XVII. Current Year Income or Loss   |                             |                    |                                     |                           |                   |                       |                           | 641               |  |   |  |   |   | 641  | 641  | 641             |
| XVIII. Profit Distributions   |                             |                    |                                     |                           | (5,431)           |                       | 49,834                    |                   | (57,104)                               |   |  |   |   | (57,104)   | (57,104)   | (57,104)        |
| 18.1 Dividend Paid  |                             |                    |                                     |                           | (5,431)           |                       | 49,834                    |                   | (44,403)                               |   |  |   |   | (44,403)   | (44,403)   | (44,403)        |
| 18.2 Transfers to Reserves  |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| 18.3 Other  |                             |                    |                                     |                           |                   |                       |                           |                   |  |   |  |   |   |  |  |                 |
| Balances at the End of the Period (I+II+III+...+XVII+XVIII)                         |                             | 652,290            | -                                   | -                         | 196,002           | -                     | 1,975,770                 | 271,511           | (57,104)                               | 44,403                                      | 7,336  | (642)   | -   | 3,045,163  | 3,045,163  | 3,045,163       |

The accompanying explanations and notes set out on pages 15 to 97 form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED  
31 DECEMBER 2014 AND 31 DECEMBER 2013  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

| VI. STATEMENT OF CASH FLOWS   |                              |                                |                              |
|---|------------------------------|--------------------------------|------------------------------|
|   | Note<br>(Section<br>Five VI) | Current Period<br>(31/12/2014) | Prior Period<br>(31/12/2013) |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>  |                              |                                |                              |
| 1.1 Operating profit before changes in operating assets and liabilities                             |                              | 545.514                        | 431.932                      |
| 1.1.1 Interest received   |                              | 2 654 964                      | 2 162 892                    |
| 1.1.2 Interest paid   |                              | (1 361 714)                    | (986 412)                    |
| 1.1.3 Dividend received   |                              | -                              | 4 523                        |
| 1.1.4 Fees and commissions received   |                              | 720 693                        | 669 206                      |
| 1.1.5 Other income  |                              | 204 072                        | 49 510                       |
| 1.1.6 Collections from previously written-off loans and other receivables                           |                              | 215 002                        | 142 629                      |
| 1.1.7 Payments to personnel and service suppliers   |                              | (632 254)                      | (604 564)                    |
| 1.1.8 Taxes paid  |                              | (77 663)                       | (103 710)                    |
| 1.1.9 Other   |                              | (1 177 586)                    | (902 142)                    |
| 1.2 Changes in operating assets and liabilities   |                              | (1.418.489)                    | 4.520.238                    |
| 1.2.1 Net (decrease)/increase in trading securities   |                              | 179 621                        | 299 363                      |
| 1.2.2 Net increase/(decrease) in fair value through profit/loss financial assets                    |                              | -                              | -                            |
| 1.2.3 Net increase/(decrease) in banks  |                              | 30 436                         | 141 335                      |
| 1.2.4 Net increase/(decrease) in loans  |                              | (1 158 450)                    | (3 968 776)                  |
| 1.2.5 Net increase/(decrease) in other assets   |                              | 937 815                        | (1 451 917)                  |
| 1.2.6 Net increase/(decrease) in bank deposits  |                              | (235 510)                      | 432 452                      |
| 1.2.7 Net (decrease)/increase in other deposits   |                              | 1 644 738                      | 2 972 113                    |
| 1.2.8 Net (decrease)/increase in funds borrowed   |                              | (1 385 314)                    | 4 161 310                    |
| 1.2.9 Net increase/(decrease) in payables   |                              | -                              | -                            |
| 1.2.10 Net (decrease)/increase in other liabilities   |                              | (1 431 825)                    | 1 934 358                    |
| <b>I. Net cash provided from banking operations</b>   |                              | <b>(872.975)</b>               | <b>4.952.170</b>             |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                              |                                |                              |
| <b>II. Net cash provided from investing activities</b>  |                              | <b>1.674.135</b>               | <b>623.804</b>               |
| 2.1 Cash paid for acquisition of investments, associates and subsidiaries (Business Partnerships)   |                              | -                              | -                            |
| 2.2 Cash obtained from disposal of investments, associates and subsidiaries (Business Partnerships) |                              | -                              | -                            |
| 2.3 Purchases of property and equipment   |                              | (29 411)                       | (51 722)                     |
| 2.4 Disposals of property and equipment   |                              | 22 114                         | 12 748                       |
| 2.5 Cash paid for purchase of investments available-for-sale  |                              | (4 189 603)                    | (7 850 492)                  |
| 2.6 Cash obtained from sale of investments available-for -sale                                      |                              | 5 897 682                      | 8 532 356                    |
| 2.7 Cash paid for purchase of investment securities   |                              | -                              | -                            |
| 2.8 Cash obtained from sale of investment securities  |                              | -                              | -                            |
| 2.9 Other   |                              | (26 647)                       | (19 086)                     |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                              |                                |                              |
| <b>III. Net cash provided from financing activities</b>   |                              | <b>-</b>                       | <b>-</b>                     |
| 3.1 Cash obtained from funds borrowed and securities issued   |                              | -                              | -                            |
| 3.2 Cash used for repayment of funds borrowed and securities issued                                 |                              | -                              | -                            |
| 3.3 Issued capital instruments  |                              | -                              | -                            |
| 3.4 Dividends paid  |                              | -                              | -                            |
| 3.5 Payments for finance leases   |                              | -                              | -                            |
| 3.6 Other   |                              | -                              | -                            |
| <b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>                   |                              | <b>51.182</b>                  | <b>90.064</b>                |
| <b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>                        |                              | <b>852.342</b>                 | <b>5.666.038</b>             |
| <b>VI. Cash and cash equivalents at beginning of the period</b>                                     | (IV)                         | <b>8.875.763</b>               | <b>3.209.725</b>             |
| <b>VII. Cash and cash equivalents at end of the period</b>  | (IV)                         | <b>9.728.105</b>               | <b>8.875.763</b>             |

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HSBC BANK A.Ş. AND ITS SUBSIDIARIES  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

| VII. PROFIT DISTRIBUTION STATEMENT                                  | Current Period<br>(31/12/2014) (*) | Prior Period<br>(31/12/2013) (**) |
|---|------------------------------------|-----------------------------------|
| <b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>                       |                                    |                                   |
| 1.1. Current Year Income  | (50.790)                           | 65.814                            |
| 1.2. Taxes And Duties Payable (-)                                   | (5.135)                            | (36.030)                          |
| 1.2.1. Corporate Tax (Income tax)                                   | (5.026)                            | (50.710)                          |
| 1.2.2. Income withholding tax                                       | -                                  | -                                 |
| 1.2.3. Other taxes and duties                                       | (109)                              | 14.680                            |
| <b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>                         | <b>(55.925)</b>                    | <b>29.784</b>                     |
| 1.3. Prior Year Losses (-)  | -                                  | -                                 |
| 1.4. First Legal Reserves (-)                                       | -                                  | 1.944                             |
| 1.5. Other Statutory Reserves (-)                                   | -                                  | -                                 |
| <b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b> | <b>-</b>                           | <b>27.840</b>                     |
| 1.6. First Dividend To Shareholders (-)                             | -                                  | -                                 |
| 1.6.1. To Owners Of Ordinary Shares                                 | -                                  | -                                 |
| 1.6.2. To Owners Of Privileged Shares                               | -                                  | -                                 |
| 1.6.3. To Owners Of Preferred Shares                                | -                                  | -                                 |
| 1.6.4. To Profit Sharing Bonds                                      | -                                  | -                                 |
| 1.6.5. To Holders Of Profit And Loss Sharing Certificates           | -                                  | -                                 |
| 1.7. Dividends To Personnel (-)                                     | -                                  | -                                 |
| 1.8. Dividends To Board Of Directors (-)                            | -                                  | -                                 |
| 1.9. Second Dividend To Shareholders (-)                            | -                                  | -                                 |
| 1.9.1. To Owners Of Ordinary Shares                                 | -                                  | -                                 |
| 1.9.2. To Owners Of Privileged Shares                               | -                                  | -                                 |
| 1.9.3. To Owners Of Preferred Shares                                | -                                  | -                                 |
| 1.9.4. To Profit Sharing Bonds                                      | -                                  | -                                 |
| 1.9.5. To Holders Of Profit And Loss Sharing Certificates           | -                                  | -                                 |
| 1.10. Second Legal Reserves (-)                                     | -                                  | -                                 |
| 1.11. Statutory Reserves (-)  | -                                  | -                                 |
| 1.12. Extraordinary Reserves  | -                                  | 27.840                            |
| 1.13. Other Reserves  | -                                  | -                                 |
| 1.14. Special Funds   | -                                  | -                                 |
| <b>II. DISTRIBUTION OF RESERVES</b>                                 |                                    |                                   |
| 2.1. Appropriated Reserves  | -                                  | -                                 |
| 2.2. Second Legal Reserves (-)                                      | -                                  | -                                 |
| 2.3. Dividends To Shareholders (-)                                  | -                                  | -                                 |
| 2.3.1. To Owners Of Ordinary Shares                                 | -                                  | -                                 |
| 2.3.2. To Owners Of Privileged Shares                               | -                                  | -                                 |
| 2.3.3. To Owners Of Preferred Shares                                | -                                  | -                                 |
| 2.3.4. To Profit Sharing Bonds                                      | -                                  | -                                 |
| 2.3.5. To Holders Of Profit And Loss Sharing Certificates           | -                                  | -                                 |
| 2.4. Dividends To Personnel (-)                                     | -                                  | -                                 |
| 2.5. Dividends To Board Of Directors (-)                            | -                                  | -                                 |
| <b>III. EARNINGS PER SHARE (***)</b>                                |                                    |                                   |
| 3.1. To Owners Of Ordinary Shares                                   | (0,000857)                         | 0,000457                          |
| 3.2. To Owners Of Ordinary Shares ( % )                             | -                                  | -                                 |
| 3.3. To Owners Of Privileged Shares                                 | -                                  | -                                 |
| 3.4. To Owners Of Privileged Shares ( % )                           | -                                  | -                                 |
| <b>IV. DIVIDEND PER SHARE</b>                                       |                                    |                                   |
| 4.1. To Owners Of Ordinary Shares                                   | -                                  | -                                 |
| 4.2. To Owners Of Ordinary Shares ( % )                             | -                                  | -                                 |
| 4.3. To Owners Of Privileged Shares                                 | -                                  | -                                 |
| 4.4. To Owners Of Privileged Shares ( % )                           | -                                  | -                                 |

(\*) As of reporting date, yearly ordinary meeting of the General Assembly has not been held yet to decide on the profit appropriation for the year 2014.

(\*\*) The profit distribution table belongs to prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2013 financial statement dated to 25 March 2014 and rearranged in this direction.

(\*\*\*) 1.000 nominal is expressed in full TL.

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

The consolidated financial statements are prepared 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. The Bank, prepares accounting records in TL in accordance with the Banking Act, Turkish Commercial Code and Turkish tax legislation.

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. Assumptions and estimates are explained in disclosures.

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

- 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 accompanying 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 investments at low risk and high yielding financial assets with collaterals. 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 diversifying fund resources and keeping sufficient cash and cash equivalents.

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 exchange rates prevailing at the balance sheet date. 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 31 December 2014. HSBC Yatırım that is fully owned by the Bank, HSBC Portföy that is the subsidiary of 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 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.

**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 are recognised at the transaction date. The appropriate classification of financial assets of the Group 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 consists 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. There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to the contradiction of classification principles. As of 31 December 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. The Group has no financial assets at fair value through profit or loss subject to repurchase agreements as of 31 December 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 Group has government bonds amounting to TL 40.500 as of 31 December 2014 that the Group has given as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş (31 December 2013: TL 50.000).

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

As of 31 December 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 financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables 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.

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

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

Obligations related to employment termination and vacation rights are accounted for in accordance with "Employee Rights Standard" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor 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 consolidated financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 3,77% (31 December 2013: 4,18%).

As of 31 December 2014, actuarial difference amounted to TL 1.182 (31 December 2013: TL 1.823 loss) is recognized under prior years' income in the financial statements.

All actuarial gains and losses is recognized under equity in accordance with revised IAS 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*

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 installments 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, if 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 31 December 2014 and 31 December 2013, the Group has no marketable securities and convertible bonds.

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

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

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

Avalized 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 31 December 2014 and 31 December 2013, the Group has no government grants.

**XXIII. EXPLANATIONS ON OPERATING SEGMENTS**

Segment reporting is presented in Note XII of Section Four.

**XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION**

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

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

**XXV. EARNINGS PER SHARE**

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

|                               | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|-------------------------------|------------------------------------|----------------------------------|
| Net Profit for the Period     | (57.104)                           | 44.403                           |
| Number of Shares              | 65.229.000.000                     | 65.229.000.000                   |
| <b>Earnings per Share (*)</b> | <b>(0,000875)</b>                  | <b>0,000681</b>                  |

(\*)Amounts are expressed in full TL.

**XXVI. CASH AND CASH EQUIVALENTS**

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

**XXVII. RELATED PARTIES**

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

**XXVIII. RECLASSIFICATIONS**

There are no adjustments to the prior year consolidated financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 31 December 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 31 December 2014, the Group's and the Parent Bank's capital adequacy ratios are orderly 15,25% (31 December 2013: 15,06%) and 15,07% (31 December 2013: 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 standard method is used to calculate market risk and the basic indicator approach is used to calculate operational risk. 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:

31 December 2014  
Consolidated - Risk Weights

|  | 0%               | 10%      | 20%              | 50%              | 75%              | 100%              | 150%             | 200%             | 250%       |
|--|------------------|----------|------------------|------------------|------------------|-------------------|------------------|------------------|------------|
| <b>Credit Risk Based Amount</b>  | <b>4.547.568</b> | <b>-</b> | <b>1.647.073</b> | <b>2.417.241</b> | <b>5.903.827</b> | <b>12.344.389</b> | <b>1.526.447</b> | <b>1.559.001</b> | <b>525</b> |
| <b>Risk Classes</b>  |                  |          |                  |                  |                  |                   |                  |                  |            |
| Claims on sovereigns and Central Banks   | 3 836 494        | -        | -                | 10               | -                | -                 | 190 123          | -                | -          |
| 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  | -                | -        | 1 647 073        | 640 974          | -                | 168 153           | 13 388           | -                | -          |
| Claims on corporates   | 219 870          | -        | -                | -                | -                | 10 967 121        | -                | -                | -          |
| Claims included in the regulatory retail portfolios                                      | 73 394           | -        | -                | -                | 5 903 827        | 699 691           | -                | -                | -          |
| Claims secured by residential property   | -                | -        | -                | 1 769 473        | -                | -                 | -                | -                | -          |
| Past due loan  | 451              | -        | -                | 6 784            | -                | 343 957           | 132 364          | -                | -          |
| Higher risk categories decided by the Board  | 56 496           | -        | -                | -                | -                | -                 | 1 190 572        | 1 559 001        | 525        |
| 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  | 360 863          | -        | -                | -                | -                | 165 467           | -                | -                | -          |

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

|  | 31 December 2013           |     |         |           |           |            |           |           |        |
|--|----------------------------|-----|---------|-----------|-----------|------------|-----------|-----------|--------|
|  | Consolidate - Risk Weights |     |         |           |           |            |           |           |        |
|  | 0%                         | 10% | 20%     | 50%       | 75%       | 100%       | 150%      | 200%      | 1250%  |
| <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    | -         | -         | -      |

|  | 31 December 2014                 |     |           |           |           |            |           |           |      |
|--|----------------------------------|-----|-----------|-----------|-----------|------------|-----------|-----------|------|
|  | The Parent's Bank - Risk Weights |     |           |           |           |            |           |           |      |
|  | 0%                               | 10% | 20%       | 50%       | 75%       | 100%       | 150%      | 200%      | 250% |
| <b>Credit Risk Based Amount</b>  | <b>4.547.568</b>                 | -   | 1.647.073 | 2.417.241 | 5.901.799 | 12.341.753 | 1.526.447 | 1.559.001 | 525  |
| <b>Risk Classes</b>  |                                  |     |           |           |           |            |           |           |      |
| Claims on sovereigns and Central Banks   | 3.836.494                        | -   | -         | 10        | -         | -          | 190.123   | -         | -    |
| 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  | -                                | -   | 1.647.073 | 640.974   | -         | 137.556    | 13.388    | -         | -    |
| Claims on corporates   | 219.870                          | -   | -         | -         | -         | 10.967.157 | -         | -         | -    |
| Claims included in the regulatory retail portfolios                                      | 73.394                           | -   | -         | -         | 5.901.799 | 699.691    | -         | -         | -    |
| Claims secured by residential property   | -                                | -   | -         | 1.769.473 | -         | -          | -         | -         | -    |
| Past due loan  | 451                              | -   | -         | 6.784     | -         | 343.957    | 132.364   | -         | -    |
| Higher risk categories decided by the Board  | 56.496                           | -   | -         | -         | -         | -          | 1.190.572 | 1.559.001 | 525  |
| 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  | 360.863                          | -   | -         | -         | -         | 193.392    | -         | -         | -    |

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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%             | 1250%         |  |
| <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<br>31 December 2014<br>Consolidated | Current Period<br>31 December 2014<br>The Parent's Bank |
|---|--|---|
| Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)     | 1.897.543  | 1.897.210   |
| Capital obligation for market risk (II)   | 82.600   | 90.866  |
| Capital obligation for operational risk (III)                                     | 254.042  | 245.937   |
| Shareholders' Equity  | 4.257.739  | 4.207.903   |
| Shareholders' Equity / ((I+II+III)*12,5*100)                                      | 15,25  | 15,07   |
| Core Capital/((I+II+III) *12,5*100)   | 10,42  | 10,24   |
| Tier I Capital/(( I+II+III) *12,5*100)  | 10,42  | 10,24   |
|   | Prior Period<br>31 December 2013<br>Consolidated   | Prior Period<br>31 December 2013<br>The Parent's Bank   |
| Capital to be employed for credit risk (Amount subject to credit risk * 0,08) (I) | 1.955.329  | 1.956.762   |
| Capital to be employed for market risk (II)                                       | 90.022   | 90.220  |
| Capital to employed 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   |
|---|------------------|
| <b>TIER I CAPITAL</b>   |                  |
| Paid-in Capital to be Entitled for Compensation after All Creditors   | 652.290          |
| Share Premium   | -                |
| Share Cancellation Profits  | -                |
| Legal Reserves  | 2.444.465        |
| Other Comprehensive Income according to TAS   | 5.512            |
| Profit  | (57.104)         |
| Net Current Period Profit   | (57.104)         |
| 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>3.045.163</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 (-)  | 18.345           |
| Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)   | 117.216          |
| 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 I due to insufficient Additional Tier 1 and Tier 2 to cover deduction (-)  | -                |
| <b>Total regulatory adjustments to Tier I capital</b>   | <b>135.561</b>   |
| <b>Tier I capital</b>   | <b>2.909.602</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)  | -                |

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|   |                  |
|---|------------------|
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA<br>(Issued or Obtained before 1.1.2014)  | -                |
| <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<br>Capital (-)   | -                |
| Total of Net Long Positions of the Investments in Equity Items of<br>Unconsolidated Banks and Financial Institutions where the Bank Owns 10%<br>or less of the Issued Share Capital Exceeding the 10% Threshold of above<br>Tier I Capital (-)  | -                |
| The Total of Net Long Position of the Direct or Indirect Investments in<br>Additional Tier I Capital of Unconsolidated Banks and Financial Institutions<br>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<br>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<br>deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the<br>Regulation on Measurement and Assessment of Capital Adequacy Ratios of<br>Banks (-)  | +                |
| Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the<br>Temporary Article 2, Clause 1 of the Regulation on Measurement and<br>Assessment of Capital Adequacy Ratios of Banks (-)  | -                |
| <b>Total Core Capital</b>   | <b>2.909.602</b> |
| <b>TIER II CAPITAL</b>  |                  |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA<br>(Issued or Obtained after 1.1.2014)   | -                |
| Debt Instruments and the Related Issuance Premiums Defined by the BRSA<br>(Issued Or Obtained before 1.1.2014)  | -                |
| Pledged Assets of the Shareholders to be used for the Bank's Capital Increases  | 1.072.643        |
| General Provisions  | 296.491          |
| <b>Tier II Capital before Deductions</b>  | <b>1.369.134</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<br>Unconsolidated Banks and Financial Institutions where the Bank Owns 10%<br>or less of the Issued Share Capital Exceeding the 10% Threshold of above<br>Tier I Capital (-)  | -                |
| The Total of Net Long Position of the Direct or Indirect Investments in<br>Additional Core Capital and Tier II Capital of Unconsolidated Banks and<br>Financial Institutions where the Bank Owns 10% or more of the Issued Share<br>Capital Exceeding the 10% Threshold of Tier I Capital (-) | -                |
| Other items to be Defined by the BRSA (-)   | 11.950           |
| <b>Total Deductions from Tier II Capital</b>  | <b>11.950</b>    |
| <b>Total Tier II Capital</b>  | <b>1.357.184</b> |
| <b>CAPITAL</b>  | <b>4.266.786</b> |
| Loans Granted against the Articles 50 and 51 of the Banking Law (-)   | 291              |
| Net Book Values of Movables and Immovable Exceeding the Limit Defined<br>in the Article 57, Clause 1 of the Banking Law and the Assets Acquired<br>against Overdue Receivables and Held for Sale but Retained more than Five<br>Years (-)   | 141              |
| Loans to Banks, Financial Institutions (domestic/foreign) or Qualified<br>Shareholders in the form of Subordinated Debts or Debt Instruments<br>Purchased from Such Parties and Qualified as Subordinated Debts (-)   | -                |



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|   |                  |
|---|------------------|
| Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)  | 8.615            |
| Other items to be Defined by the BRSA (-)   | -                |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  | -                |
| The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)  | -                |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | -                |
| <b>EQUITY</b>   | <b>4.257.739</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  | -                |
| Net Deferred Tax Assets arising from Temporary Differences  | -                |

(\* ) 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 CAPITAL ADEQUACY RATIO (Continued)**

**e. Information about shareholders' equity items (Continued)**

|   | <b>Prior Period<br/>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)

e. Information about shareholders' equity items (Continued)

|  | Prior Period<br>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<br>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 (*)<br>Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal<br>reserves)   | (27.513)                         |
| <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<br>shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary<br>capital of the bank  | -                                |
| Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like<br>secondary subordinated loan and debt instruments purchased from these institutions issued, like<br>primary and secondary subordinated loan               | -                                |
| 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<br>overtaken in exchange for loans and receivables that should be disposed within five years in<br>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

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

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

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

- a. **In terms of credit risks, subjecting borrower or a group of borrowers or geographic region and sectors to a risk limitation, the segmentation structure of the risk limits and determining the risk limit ranges;**

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 reevaluation 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.

**Determining daily risk limits and allocating risks regarding the transactions conducted, customer's and bank's treasury department staff based monitoring on daily risk concentrations of off-balance risks;**

According to HSBC Group standards, in all banking transactions approval and control mechanisms and systematical limit and risk control mechanisms are available. 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.

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 Parent Bank consists of retail loans, it is thought that there is no significant level of loan risk concentration.

**Monitoring loan valuableness of the debtors of loan and other receivables at regular intervals in accordance with the relevant legislation, if the financial tables which are obtained for opened credits are audited in accordance with the relevant legislation or not, and if not the reasons of not auditing, changing the limits of loans, guarantees of the loans and other receivables;**

Loan allocation decision is made by Credit Committee only if deemed reasonable. This decision is made according to the audited financial tables of the customer's. Cash or non-cash loans can be extended to the customers.

Loan value of receivables from loans and other receivables are regularly traced in accordance with the relevant legislation, if necessary, actions such as limit increasing and decreasing, and strengthening the guarantee structure can be taken. The obtained financial tables regarding the credit requests should be audited in accordance with the relevant legislation.

The Parent Bank's management has generated a customer degree (rating) system in order to determine loan value and the rate of risks of the corporate and personal loan customers which are subject to corporate.

**Corporate and Commercial Loan Portfolio Rating System:**

Customer Risk Rating System (CRR Rating) shows the probabilities of the non performing loans of the loan borrowers. CRR rating is a summarized risk indicator which indicates the loan borrower's financial situation, industry and past operations, management's skills and other information including the cash flow, profitability and debt situation.

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**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

Regardless of guarantees and limits of the companies, CRR rating evaluates the risks objectively and independently and indicates the customer risk profiles in all aspects. The responsibility of the compliance of the CRR rate given belongs to the staff who approved the last control. The reviews over the CRR rates given are conducted at least once in a year and at each credit application reviews. Also in necessary cases the units which approve loans can reassess the CRR rates and indicate necessary changes.

10 basic customer risk rating ranges are as follows:

**CRR 1.0 - Minimal Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is perfect. CRR 1.0 rate indicates the best credit risk available and there is almost no risk that the firm may be unable to meet its obligations.

**CRR 2.0 - Low Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is very good.

**CRR 3.0 - Acceptable Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is satisfactory in every respect and there are no adverse events.

**CRR 4.0 - Reasonable Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is durable. The risk of the firm's inability to meet its obligations is at a reasonable level and more frequent surveillance is needed.

**CRR 5.0 - Moderate Risk** - Firm's financial situation (equity capital, income, cash generating capacity and management functions) is at an average level. Current situation is not ominous. However, firm's sensitivity to external events is needed to be observed more frequently and enhancing the firm's risk of inability to meet the obligations.

**CRR 6.0 - Significant Risk** - There is a known downtrend in the firm's financial situation (equity capital, income, cash generating capacity and management functions) and there are one or more problematic issues. Although, the current capacity of the firm is sufficient to meet its obligations, some potential risks may give harm to firm's financial situation. More frequent surveillance is needed.

**CRR 7.0 - High Risk** - There is a continuous downtrend in the firm's financial situation (equity capital, income, cash generating capacity and management functions) and this situation is needed to be continuously observed and assessed. Although the firm is disquieting regarding the ability of meeting its obligations, it is thought that the firm has sufficient capacity to meet its obligations.

**CRR 8.0 - The Risk Requiring Special Management** - The financial situation (equity capital, income, cash generating capacity and management functions) of the firm is generally weakened (for instance: negative equity capital, inability of making salary payments and etc.) or payment capacity and intention has become suspicious. This situation is requiring continuous surveillance and assessment. Concerns regarding the firm's ability of meeting its obligations are growing and the possibilities of the firm's ability to meet its obligations are decreasing.

**CRR 9.0 - Suspicious** - The possibility of collecting the full amount of principal and proceeds is very low. Provisions must be reserved. At least one of the situations below may be eventuated:

- Debtor, is late more than 90 days to meet its obligations to the Bank.
- Achieving no results from debt restructuring approaches.
- Restructured debt lapsed into default again.
- Legal proceedings have begun.

**CRR 10.0 - Loss** - Collection is not expected.

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

Total amount of risks after offsetting transactions and average amount of risks allocated to different risk classes and types for relevant period without considering effects of credit risk mitigation:

| Risk Classifications   | Current Period<br>Risk Amount | Average Risk<br>Amount |
|--|-------------------------------|------------------------|
| Claims on sovereigns and Central Banks   | 4 026 627                     | 4 385 983              |
| 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  | 2 469 588                     | 2 799 530              |
| Claims on corporate  | 11 186 991                    | 10 363 718             |
| Claims included in the regulatory retail portfolios                                      | 6 676 912                     | 7 088 192              |
| Claims secured by residential property   | 1 769 473                     | 1 805 891              |
| Past due loan  | 483 556                       | 396 543                |
| Higher risk categories decided by the Board  | 2 806 594                     | 2 896 076              |
| 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  | 526 330                       | 605 605                |
| <b>Total</b>   | <b>29.946.071</b>             | <b>30.341.538</b>      |

- b. Control limits on position of Bank's forward transactions and option agreements and other similar instruments, manageability of credit risk for these kind of instruments and the potential risks arising from the market movements;

The loan risks undertaken for the forward transactions, option agreements and similar instruments are monitored with considering the potential risks arising from the market movements and risk limit control is conducted from current market prices constantly.

- c. When the Bank is significantly subject to the loan risk, in order to reduce the total risks, the Bank terminates the forward transactions, option and similar agreements in a short time period through using, fulfilling the acts or selling;

During the management of the balance sheet, interest and liquidity risks, the Parent's Bank constantly uses derivatives and its resources in the international financial markets within the limits allocated in order to reduce and control risks. When necessary portfolio based loan risks could be reduced with loan derivatives and suchlike instruments.

- d. Risk weight subject to non-cash loans turned into cash loans;

As of 31 December 2014, the Parent Bank has TL 102 (31 December 2013: TL 173) of non-cash loans turned into cash loans.

Allocation of the non-cash loans turned into cash loans are presented in the table below:

|   | Current Period<br>31 December 2014 |          | Prior Period<br>31 December 2013 |          |
|---|------------------------------------|----------|----------------------------------|----------|
|   | TL                                 | FC       | TL                               | FC       |
| Letter of Guarantee                     | 16                                 | -        | -                                | -        |
| Prefinancing Loans                      | -                                  | -        | -                                | -        |
| Commercial Letter of Credit Commitments | -                                  | -        | -                                | -        |
| Factoring Guarantees                    | -                                  | -        | -                                | -        |
| Bad Check Payments                      | 86                                 | -        | 173                              | -        |
| Other Liabilities                       | -                                  | -        | -                                | -        |
| <b>Total</b>                            | <b>102</b>                         | <b>-</b> | <b>173</b>                       | <b>-</b> |

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**II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)**

**Information on whether the loans that are renewed and rescheduled are included in a new rating group as determined by the Bank's risk management system, other than the follow-up plan defined in the banking regulations or not; whether new precautions are considered in these methods or not; whether the Bank's risk management accepts long term commitments as having more risk than short term commitments which results in a diversification of risk or not;**

All loans are evaluated considering the credit rating of the client. Loans that are bound to a redemption plan are followed in a separate category as closely followed risky loans. Risk levels of the loans bound to a redemption plan are updated according to the rating system of the Parent Bank. In the firms whose risk level increases, certain actions are taken with regard to risk management, such as risk is registered as liquidation, guarantee is improved or limits are decreased.

- e. Evaluation of the significance of country specific risk if the banks have foreign operations and credit transactions in a few countries or these operations are coordinated with a few financial entities;**

Since the Parent Bank carries out its foreign banking transactions and credit facilities through a widespread correspondent network and HSBC Group banks by revising and following the credit ratings of OECD countries and relevant institutions, country risks, market conditions, it is thought that there is no significant risk element.

**Evaluation of the Bank's competitive credit risk as being an active participant in the international banking transactions market;**

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.

- f. The proportion of the Group's top 100 cash loan balances in total cash loans: 25% (31 December 2013: 20%).**

**The proportion of the Group's top 100 non-cash loan balances in total non-cash loans: 83% (31 December 2013: 82%).**

**The proportion of the Group's cash and non-cash loan balances with the first 100 customers comprises of total cash loans and non-cash loans: 27% (31 December 2013: 29%).**

- g. The Parent Bank provided a general provision for credit risk: TL 362.405 (31 December 2013: TL 347.299).**

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

h. Profile on significant risks in significant regions, Risk Profile according to sectors and counterparties and Term distribution of risks with term structure:

| Current Period                          | Risk Categories (***) |          |          |          |          |                  |                   |                  |                  |                |                  |          |          |          |          |                   | Total |
|---|-----------------------|----------|----------|----------|----------|------------------|-------------------|------------------|------------------|----------------|------------------|----------|----------|----------|----------|-------------------|-------|
|   | 1                     | 2        | 3        | 4        | 5        | 6                | 7                 | 8                | 9                | 10             | 11               | 12       | 13       | 14       | 15       | 16                |       |
| 31 December 2014                        |                       |          |          |          |          |                  |                   |                  |                  |                |                  |          |          |          |          |                   |       |
| Domestic                                | 3 836 504             | -        | -        | -        | -        | 1 404 247        | 10 987 681        | 6 648 498        | 1 729 625        | 478 675        | 2 805 559        | -        | -        | -        | -        | 526 060           |       |
| European Union Countries                | -                     | -        | -        | -        | -        | 293 070          | 83 174            | 4 991            | 10 989           | 80             | 209              | -        | -        | -        | -        | -                 |       |
| OECD Countries (*)                      | -                     | -        | -        | -        | -        | 43 393           | -                 | 215              | 479              | -              | 150              | -        | -        | -        | -        | -                 |       |
| Off - shore Countries                   | -                     | -        | -        | -        | -        | 5 116            | -                 | -                | -                | -              | -                | -        | -        | -        | -        | -                 |       |
| USA, Canada                             | -                     | -        | -        | -        | -        | 360 278          | 20 309            | 588              | 1 684            | -              | 48               | -        | -        | -        | -        | -                 |       |
| Other Countries                         | 190 123               | -        | -        | -        | -        | 363 484          | 95 827            | 22 660           | 26 696           | 4 801          | 628              | -        | -        | -        | -        | -                 |       |
| Subsidiaries and Joint venture          | -                     | -        | -        | -        | -        | -                | -                 | -                | -                | -              | -                | -        | -        | -        | -        | -                 |       |
| Undistributed Assets / Liabilities (**) | -                     | -        | -        | -        | -        | -                | -                 | -                | -                | -              | -                | -        | -        | -        | -        | 270               |       |
| <b>TOTAL</b>                            | <b>4,036,627</b>      | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>2,469,588</b> | <b>11,186,991</b> | <b>6,676,912</b> | <b>1,769,473</b> | <b>483,556</b> | <b>2,806,594</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>29,946,071</b> |       |

(\*) EU countries, OECD countries other than USA and Canada.

(\*\*) Assets and liabilities that are not distributed according to a consistent principle

(\*\*\*) Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks".

- 1 Conditional and unconditional receivables from central governments and Central Banks
- 2 Conditional and unconditional receivables from regional or local governments
- 3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4 Conditional and unconditional receivables from multilateral development banks
- 5 Conditional and unconditional receivables from international organizations
- 6 Conditional and unconditional receivables from banks and brokerage houses
- 7 Conditional and unconditional receivables from corporates
- 8 Conditional and unconditional receivables from retail portfolios
- 9 Conditional and unconditional receivables secured by mortgages
- 10 Past due receivables
- 11 Receivables defined under high risk category by BRSA
- 12 Securities collateralized by mortgages
- 13 Securitization positions
- 14 Short-term receivables from banks, brokerage houses and corporates
- 15 Investments similar to collective investment funds
- 16 Other receivables



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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

h. Profile on significant risks in significant regions, Risk Profile according to sectors and counterparties and Term distribution of risks with term structure (Continued):

| Prior Period                            | Risk Categories (***) |          |          |          |          |                  |                   |                  |                  |                |                  |          |          |          |          |                |                   |
|---|-----------------------|----------|----------|----------|----------|------------------|-------------------|------------------|------------------|----------------|------------------|----------|----------|----------|----------|----------------|-------------------|
|   | 1                     | 2        | 3        | 4        | 5        | 6                | 7                 | 8                | 9                | 10             | 11               | 12       | 13       | 14       | 15       | 16             | Total             |
| 31 December 2013                        |                       |          |          |          |          |                  |                   |                  |                  |                |                  |          |          |          |          |                |                   |
| Domestic                                | 5 561 088             | -        | -        | -        | -        | 1 984 990        | 10 206 004        | 7 143 369        | 1 769 678        | 340 237        | 3 149 510        | -        | -        | -        | -        | 641 633        | 30 796 509        |
| European Union Countries                | -                     | -        | -        | -        | -        | 255 890          | 56 138            | -                | -                | -              | -                | -        | -        | -        | -        | -              | 312 048           |
| OECD Countries (*)                      | -                     | -        | -        | -        | -        | 55 982           | -                 | -                | -                | -              | -                | -        | -        | -        | -        | -              | 55 982            |
| Off - shore Countries                   | -                     | -        | -        | -        | -        | 9 803            | -                 | -                | -                | -              | -                | -        | -        | -        | -        | -              | 9 803             |
| USA, Canada                             | -                     | -        | -        | -        | -        | 48 083           | 10 744            | -                | -                | -              | -                | -        | -        | -        | -        | -              | 58 827            |
| Other Countries                         | 109 478               | -        | -        | -        | -        | 486 777          | 148 584           | 2 490            | 17 006           | 13 951         | -                | -        | -        | -        | -        | -              | 778 286           |
| Subsidiaries and Joint Venture          | -                     | -        | -        | -        | -        | -                | -                 | -                | -                | -              | -                | -        | -        | -        | -        | -              | -                 |
| Undistributed Assets / Liabilities (**) | -                     | -        | -        | -        | -        | -                | -                 | -                | -                | -              | -                | -        | -        | -        | -        | -              | -                 |
| <b>TOTAL</b>                            | <b>5,670,566</b>      | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>2,841,525</b> | <b>10,421,490</b> | <b>7,145,859</b> | <b>1,786,684</b> | <b>354,188</b> | <b>3,149,510</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>641,633</b> | <b>32,011,455</b> |

(\*) EU countries, OECD countries other than USA and Canada.

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- 4 Conditional and unconditional receivables from multilateral development banks
- 5 Conditional and unconditional receivables from international organizations
- 6 Conditional and unconditional receivables from banks and brokerage houses
- 7 Conditional and unconditional receivables from corporates
- 8 Conditional and unconditional receivables from retail portfolios
- 9 Conditional and unconditional receivables secured by mortgages
- 10 Past due receivables
- 11 Receivables defined under high risk category by BRSA
- 12 Securities collateralized by mortgages
- 13 Securitization positions
- 14 Short-term receivables from banks, brokerage houses and corporates
- 15 Investments similar to collective investment funds
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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

i. Risk Profile according to sectors and counterparties:

| Sectors/Counterparties               | Risk Categories (*) |          |          |          |          |                  |                   |                  |                  |                |                  |          |          |          |          |                | Total             |                   |                   |
|--------------------------------------|---------------------|----------|----------|----------|----------|------------------|-------------------|------------------|------------------|----------------|------------------|----------|----------|----------|----------|----------------|-------------------|-------------------|-------------------|
|                                      | 1                   | 2        | 3        | 4        | 5        | 6                | 7                 | 8                | 9                | 10             | 11               | 12       | 13       | 14       | 15       | 16             |                   | TL                | FC                |
| Agricultural                         | -                   | -        | -        | -        | -        | -                | 182,989           | 15,009           | 6,136            | 1,598          | 70               | -        | -        | -        | -        | -              | 112,908           | 92,894            | 285,802           |
| Farming and raising livestock        | -                   | -        | -        | -        | -        | -                | 151,433           | 13,053           | 5,441            | 1,164          | 70               | -        | -        | -        | -        | -              | 100,236           | 75,025            | 175,261           |
| Forestry                             | -                   | -        | -        | -        | -        | -                | 7,048             | 1,792            | 595              | 434            | -                | -        | -        | -        | -        | -              | 6,407             | 3,462             | 9,869             |
| Fishing                              | -                   | -        | -        | -        | -        | -                | 20,508            | 164              | -                | -              | -                | -        | -        | -        | -        | -              | 6,265             | 14,407            | 20,672            |
| Industry                             | -                   | -        | -        | -        | -        | -                | 6,948,140         | 341,503          | 358,792          | 129,555        | 958              | -        | -        | -        | -        | -              | 3,247,457         | 4,531,491         | 7,778,948         |
| Mining                               | -                   | -        | -        | -        | -        | -                | 46,717            | 11,759           | 6,493            | 886            | -                | -        | -        | -        | -        | -              | 20,747            | 45,108            | 65,855            |
| Production                           | -                   | -        | -        | -        | -        | -                | 6,742,231         | 325,291          | 352,142          | 128,651        | 954              | -        | -        | -        | -        | -              | 3,186,783         | 4,362,486         | 7,549,269         |
| Electricity, Gas, Water              | -                   | -        | -        | -        | -        | -                | 159,192           | 4,453            | 157              | 18             | 4                | -        | -        | -        | -        | -              | 39,927            | 123,897           | 163,824           |
| Construction                         | -                   | -        | -        | -        | -        | -                | -                 | -                | -                | -              | -                | -        | -        | -        | -        | -              | -                 | -                 | -                 |
| Services                             | 4,026,627           | -        | -        | -        | -        | 2,469,588        | 3,311,964         | 233,697          | 270,563          | 43,317         | 10,005           | -        | -        | -        | -        | -              | 3,878,083         | 6,487,378         | 10,365,461        |
| Wholesale and retail trade           | -                   | -        | -        | -        | -        | -                | 1,509,494         | 163,443          | 148,757          | 30,968         | 4,759            | -        | -        | -        | -        | -              | 966,430           | 890,991           | 1,857,421         |
| Hotel and beverage service           | -                   | -        | -        | -        | -        | -                | 290,142           | 11,194           | 34,006           | 1,105          | 148              | -        | -        | -        | -        | -              | 27,500            | 309,095           | 336,595           |
| Transportation and telecommunication | -                   | -        | -        | -        | -        | -                | 328,817           | 24,804           | 26,954           | 3,933          | 4,221            | -        | -        | -        | -        | -              | 103,559           | 285,170           | 388,729           |
| Financial institutions               | 4,026,627           | -        | -        | -        | -        | 2,469,588        | 455,969           | 423              | 171              | -              | -                | -        | -        | -        | -        | -              | 2,628,165         | 4,324,613         | 6,952,778         |
| Real estate and lending service      | -                   | -        | -        | -        | -        | -                | 723,460           | 30,857           | 59,415           | 7,216          | 877              | -        | -        | -        | -        | -              | 178,350           | 643,475           | 821,825           |
| Self employment service              | -                   | -        | -        | -        | -        | -                | 3                 | -                | -                | -              | -                | -        | -        | -        | -        | -              | 3                 | -                 | 3                 |
| Education Service                    | -                   | -        | -        | -        | -        | -                | 464               | 802              | 928              | 43             | -                | -        | -        | -        | -        | -              | 1,710             | 527               | 2,237             |
| Health and financial service         | -                   | -        | -        | -        | -        | -                | 3,615             | 2,174            | 32               | 52             | -                | -        | -        | -        | -        | -              | 2,963             | 2,910             | 5,873             |
| Other                                | -                   | -        | -        | -        | -        | -                | 743,898           | 6,086,703        | 1,134,282        | 309,086        | 2,795,561        | -        | -        | -        | -        | -              | 10,437,719        | 1,158,141         | 11,595,860        |
| <b>TOTAL</b>                         | <b>4,026,627</b>    | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>2,469,588</b> | <b>11,186,991</b> | <b>6,676,912</b> | <b>1,769,473</b> | <b>483,556</b> | <b>2,806,594</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>536,330</b> | <b>17,676,167</b> | <b>12,269,904</b> | <b>29,946,071</b> |

(\*) Risk categories that are defined in "Communiqué on Measurement and Assessment of Capital Adequacy of Banks.

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

i. Risk Profile according to sectors and counterparties (Continued):

| Sectors/Counterparties               | Risk Categories (*) |          |          |          |          |                  |                   |                  |                  |                |                  |          |          |          |          |                | Total             |                   |                   |
|--------------------------------------|---------------------|----------|----------|----------|----------|------------------|-------------------|------------------|------------------|----------------|------------------|----------|----------|----------|----------|----------------|-------------------|-------------------|-------------------|
|                                      | 1                   | 2        | 3        | 4        | 5        | 6                | 7                 | 8                | 9                | 10             | 11               | 12       | 13       | 14       | 15       | 16             |                   | TL                | FC                |
| <b>Agricultural</b>                  | -                   | -        | -        | -        | -        | -                | 120,659           | 14,552           | 2,982            | -              | 22               | -        | -        | -        | -        | -              | 16,254            | 121,961           | 138,215           |
| Farming and raising livestock        | -                   | -        | -        | -        | -        | -                | 82,363            | 9,193            | 2,414            | -              | 22               | -        | -        | -        | -        | -              | 10,312            | 83,680            | 93,992            |
| Forestry                             | -                   | -        | -        | -        | -        | -                | 36,713            | 3,245            | 361              | -              | -                | -        | -        | -        | -        | -              | 4,315             | 36,004            | 40,319            |
| Fishing                              | -                   | -        | -        | -        | -        | -                | 1,583             | 2,114            | 207              | -              | -                | -        | -        | -        | -        | -              | 1,627             | 2,277             | 3,904             |
| <b>Industry</b>                      | -                   | -        | -        | -        | -        | -                | 7,251,946         | 346,970          | 473,005          | 118,888        | 25,122           | -        | -        | -        | -        | -              | 2,212,296         | 6,003,635         | 8,215,931         |
| Mining                               | -                   | -        | -        | -        | -        | -                | 56,946            | 5,236            | 3,027            | -              | 52               | -        | -        | -        | -        | -              | 14,008            | 51,253            | 65,261            |
| Production                           | -                   | -        | -        | -        | -        | -                | 7,068,284         | 340,495          | 469,946          | 118,888        | 25,070           | -        | -        | -        | -        | -              | 2,197,137         | 5,825,546         | 8,022,683         |
| Electricity, Gas, Water              | -                   | -        | -        | -        | -        | -                | 126,716           | 1,239            | 32               | -              | -                | -        | -        | -        | -        | -              | 1,151             | 126,836           | 127,987           |
| <b>Construction</b>                  | -                   | -        | -        | -        | -        | -                | -                 | -                | -                | -              | -                | -        | -        | -        | -        | -              | -                 | -                 | -                 |
| Services                             | 5,670,566           | -        | -        | -        | -        | 2,841,525        | 2,512,368         | 135,046          | 79,773           | 19,583         | 962              | -        | -        | -        | -        | -              | 4,011,358         | 7,248,465         | 11,259,823        |
| Wholesale and retail trade           | -                   | -        | -        | -        | -        | -                | 1,278,239         | 108,978          | 38,735           | 274            | 167              | -        | -        | -        | -        | -              | 806,990           | 620,103           | 1,427,093         |
| Hotel and beverage service           | -                   | -        | -        | -        | -        | -                | 109,029           | 1,523            | 18,936           | 192            | -                | -        | -        | -        | -        | -              | 8,145             | 121,535           | 129,680           |
| Transportation and telecommunication | -                   | -        | -        | -        | -        | -                | 163,218           | 13,668           | 4,035            | 5,166          | 42               | -        | -        | -        | -        | -              | 46,385            | 141,744           | 188,129           |
| Financial Institutions               | 5,670,566           | -        | -        | -        | -        | 2,841,525        | 260,222           | -                | 1,439            | 13,951         | -                | -        | -        | -        | -        | -              | 3,011,870         | 5,774,394         | 8,786,264         |
| Real estate and lending service      | -                   | -        | -        | -        | -        | -                | 312,100           | 974              | 1,439            | -              | -                | -        | -        | -        | -        | -              | 7,595             | 306,918           | 314,513           |
| Self employment service              | -                   | -        | -        | -        | -        | -                | 375,285           | 9,890            | 16,192           | -              | 53               | -        | -        | -        | -        | -              | 128,817           | 272,803           | 401,620           |
| Education Service                    | -                   | -        | -        | -        | -        | -                | 434               | -                | -                | -              | -                | -        | -        | -        | -        | -              | 391               | 43                | 434               |
| Health and financial service         | -                   | -        | -        | -        | -        | -                | 11,841            | 13               | 236              | -              | -                | -        | -        | -        | -        | -              | 1,165             | 10,925            | 12,090            |
| <b>Other</b>                         | -                   | -        | -        | -        | -        | -                | 536,517           | 6,649,291        | 1,230,924        | 215,717        | 3,123,404        | -        | -        | -        | -        | -              | 11,745,023        | 652,463           | 12,397,486        |
| <b>TOTAL</b>                         | <b>5,670,566</b>    | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>2,841,525</b> | <b>10,821,490</b> | <b>7,145,859</b> | <b>1,786,684</b> | <b>354,188</b> | <b>3,149,510</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>641,633</b> | <b>17,984,931</b> | <b>14,026,524</b> | <b>32,011,455</b> |

(\*) Risk categories that are defined in "Comunique on Measurement and Assessment of Capital Adequacy of Bank"

- 1 Conditional and unconditional receivables from central governments and Central Banks
- 2 Conditional and unconditional receivables from regional or local governments
- 3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4 Conditional and unconditional receivables from multilateral development banks
- 5 Conditional and unconditional receivables from international organizations
- 6 Conditional and unconditional receivables from banks and brokerage houses
- 7 Conditional and unconditional receivables from corporates
- 8 Conditional and unconditional receivables from retail portfolios
- 9 Conditional and unconditional receivables secured by mortgages
- 10 Past due receivables
- 11 Receivables defined under high risk category by BRSA
- 12 Securities collateralized by mortgages
- 13 Securitization positions
- 14 Short-term receivables from banks, brokerage houses and corporates
- 15 Investments similar to collective investment funds
- 16 Other receivables

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

j. Term distribution of risks with term structure:

| Risk Categories  | Time to Maturity  |                  |                  |                  |                    | Unallocated    |
|--|-------------------|------------------|------------------|------------------|--------------------|----------------|
|  | Up to 1<br>Month  | 1-3<br>Months    | 3-6<br>Months    | 6-12<br>Months   | 1 Year<br>and Over |                |
| Claims on sovereigns and Central Banks   | 3 631.393         | -                | 102.127          | 106.343          | 186.764            | -              |
| 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  | 1 855.606         | 222.036          | 75.792           | 65.483           | 250.671            | -              |
| Claims on corporates   | 1 933.904         | 1 889.489        | 1 495.806        | 2 436.520        | 3 431.272          | -              |
| Claims included in the regulatory retail portfolios                                      | 2 838.301         | 335.411          | 971.178          | 516.446          | 2 015.576          | -              |
| Claims secured by residential property   | 51.738            | 74.407           | 99.531           | 98.776           | 1.445.021          | -              |
| Past due loans   | -                 | -                | -                | -                | -                  | 483.556        |
| Higher risk categories decided by the Board  | -                 | -                | -                | 101.873          | 2 704.721          | -              |
| Secured 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  | 526.060           | -                | -                | -                | -                  | 270            |
| <b>TOTAL</b>   | <b>10.837.002</b> | <b>2.521.343</b> | <b>2.744.434</b> | <b>3.325.441</b> | <b>10.034.025</b>  | <b>483.826</b> |

k. Explanations regarding risk categories mentioned in 6th clause of Capital Adequacy Measurement and Evaluation Communiqué:

An international rating firm, Moody's Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Additionally, grades of Moody's Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties at abroad. Counter parties resident are accepted as "gradeless" and take risk weight suited for "gradeless" category in relevant risk class.

Rating Scores;

1. Receivables from Central Governments or Central Banks
  2. Receivables from Banks and Brokerage Houses
- are used in risk classes.

While credit quality level grade given by Moody's Ratings International Rating Agency decreases to 3, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of Receivables from Central Governments or Central Banks, Receivables from regional governments or local authorities and receivables from administrative units and non-commercial enterprises.

For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer's credit rating is considered in the absence of export rating.

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

| Credit Quality Degrees | Moody's Risk Rating             | Risk Categories                                   |   |  |
|------------------------|---------------------------------|---|---|--|
|                        |                                 | Exposures to Central Governments or Central Banks | Exposures to Central Governments or Central Banks<br>Exposures with Remaining Maturities Less Than 3 Months | Exposures with Remaining Maturities More Than 3 Months |
| 1                      | Aaa<br>Aa1<br>Aa2<br>Aa3        | 0%  | 20%   | 20%  |
| 2                      | A1<br>A2<br>A3                  | 20%   | 20%   | 50%  |
| 3                      | Baa1<br>Baa2<br>Baa3            | 50%   | 20%   | 50%  |
| 4                      | Ba1<br>Ba2<br>Ba3               | 100%  | 50%   | 100%   |
| 5                      | B1<br>B2<br>B3                  | 100%  | 50%   | 100%   |
| 6                      | Caa1<br>Caa2<br>Caa3<br>Ca<br>C | 150%  | 150%  | 150%   |

I. Risk Amounts according to Risk Weight

|   | Risk Weights |             |           |           |            |           |           |      |      |       | Deducted From Equity |
|---|--------------|-------------|-----------|-----------|------------|-----------|-----------|------|------|-------|----------------------|
|   | 0%           | 10%         | 20%       | 50%       | 75%        | 100%      | 150%      | 200% | 250% | 1250% |                      |
| 1. Amount Before Credit Risk Mitigation |              |             |           |           |            |           |           |      |      |       |                      |
| 2. Amount After Credit Risk Mitigation  | 4 197 392    | - 1 647 073 | 640 984   | 7 212 479 | 13 071 669 | 1 583 789 | 1 592 160 | 525  | -    | -     | 9 047                |
|   | 4 547 568    | - 1 647 073 | 2 417 241 | 5 903 827 | 12 344 389 | 1 526 447 | 1 559 001 | 525  | -    | -     | 9 047                |

m. Information on debt securities, treasury bills and other eligible bills:

|  | Trading Financial Assets (Net) | Available for Sale Financial Assets (Net) | Held to Maturity Securities (Net) | Total            |
|--|--------------------------------|---|-----------------------------------|------------------|
| <b>Current Period-31 December 2014</b> |                                |   |                                   |                  |
| Moody's Rating                         |                                |   |                                   |                  |
| Aaa                                    | -                              | -   | -                                 | -                |
| A1, A2, A3                             | -                              | -   | -                                 | -                |
| Baa1, Baa2, Baa3                       | 390.456                        | 526.024                                   | -                                 | 916.480          |
| Ba1                                    | -                              | -   | -                                 | -                |
| Ba2                                    | -                              | -   | -                                 | -                |
| Ba3                                    | -                              | -   | -                                 | -                |
| <b>Total</b>                           | <b>390.456</b>                 | <b>526.024</b>                            | <b>-</b>                          | <b>916.480</b>   |
| <b>Prior Period - 31 December 2013</b> |                                |   |                                   |                  |
| Moody's Rating                         |                                |   |                                   |                  |
| Aaa                                    | -                              | -   | -                                 | -                |
| A1, A2, A3                             | -                              | -   | -                                 | -                |
| Baa1, Baa2, Baa3                       | 561.561                        | 2.245.106                                 | -                                 | 2.806.667        |
| Ba1                                    | -                              | -   | -                                 | -                |
| Ba2                                    | -                              | -   | -                                 | -                |
| Ba3                                    | -                              | -   | -                                 | -                |
| <b>Total</b>                           | <b>561.561</b>                 | <b>2.245.106</b>                          | <b>-</b>                          | <b>2.806.667</b> |

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

n. Sector or type of counterparty; separately impaired loans and amount of non-performing loans, value adjustments and provisions, amount of value adjustments and provisions during period:

Miscellaneous Information regarding Important Sectors or Counterparty Type:

|                                      | Credits          |                  |                   |                |
|--------------------------------------|------------------|------------------|-------------------|----------------|
|                                      | Impaired credits | Past due credits | Value adjustments | Provisions     |
| <b>Agricultural</b>                  | <b>36.579</b>    | <b>7.555</b>     | <b>151</b>        | <b>34.965</b>  |
| Farming and raising livestock        | 35.004           | 6.897            | 138               | 33.827         |
| Forestry                             | 1.546            | 558              | 11                | 1.109          |
| Fishing                              | 29               | 100              | 2                 | 29             |
| <b>Industry</b>                      | <b>199.542</b>   | <b>154.825</b>   | <b>3.804</b>      | <b>69.026</b>  |
| Mining                               | 6.247            | 10.589           | 223               | 5.332          |
| Production                           | 193.115          | 143.199          | 3.548             | 63.525         |
| Electricity, Gas, Water              | 180              | 1.037            | 33                | 169            |
| <b>Construction</b>                  | <b>16.248</b>    | <b>33.100</b>    | <b>1.044</b>      | <b>8.155</b>   |
| <b>Services</b>                      | <b>80.961</b>    | <b>220.191</b>   | <b>6.297</b>      | <b>42.333</b>  |
| Wholesale and retail trade           | 61.793           | 177.344          | 5.404             | 29.472         |
| Hotel and beverage service           | 2.490            | 24.921           | 513               | 1.372          |
| Transportation and telecommunication | 8.924            | 13.889           | 283               | 5.237          |
| Financial Institutions               | 366              | 924              | 18                | 278            |
| Real estate and lending service      | 125              | 35               | 1                 | 126            |
| Self employment service              | 5.537            | -                | -                 | 4.692          |
| Education Service                    | 239              | 399              | 8                 | 201            |
| Health and financial service         | 1.487            | 2.679            | 70                | 955            |
| <b>Other</b>                         | <b>907.290</b>   | <b>128.292</b>   | <b>5.239</b>      | <b>608.528</b> |
| <b>Total</b>                         | <b>1.240.620</b> | <b>543.963</b>   | <b>16.535</b>     | <b>763.007</b> |

o. Reconciliation of changes in value adjustments and provisions for impaired loan (if possible on basis of geographic regions):

|                     | Opening Balance | Provisions provided during the period | Provision Reversals | Other Adjustments | Closing Balance |
|---------------------|-----------------|---------------------------------------|---------------------|-------------------|-----------------|
| Specific Provisions | 854.528         | 576.816                               | 668.337             | -                 | 763.007         |
| General Provisions  | 347.299         | 15.106                                | -                   | -                 | 362.405         |

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

p. The movement of specific provision of the Group's loan and other receivables:

|                               | Commercial Loans | Consumer Loan  | Credit Cards   | Total          |
|-------------------------------|------------------|----------------|----------------|----------------|
| <b>1 January 2014</b>         | 200.139          | 203.438        | 450.951        | 854.528        |
| Transferred during the period | 69.830           | 156.238        | 350.748        | 576.816        |
| Collection during the period  | 32.760           | 25.642         | 45.538         | 103.940        |
| Write-off/sold                | 82.864           | 136.868        | 344.665        | 564.397        |
| <b>31 December 2014</b>       | <b>154.345</b>   | <b>197.166</b> | <b>411.496</b> | <b>763.007</b> |

|                               | Commercial Loans | Consumer Loan  | Credit Cards   | Total          |
|-------------------------------|------------------|----------------|----------------|----------------|
| <b>1 January 2013</b>         | 145.936          | 105.066        | 231.748        | 482.750        |
| Transferred during the period | 58.229           | 102.865        | 233.015        | 394.109        |
| Collection during the period  | 3.815            | 4.493          | 13.781         | 22.089         |
| Write-off/sold                | 211              | -              | 31             | 242            |
| <b>31 December 2013</b>       | <b>200.139</b>   | <b>203.438</b> | <b>450.951</b> | <b>854.528</b> |

r. Information on types of loans and provisions:

|  | Commercial Loans  | Consumer Loan    | Credit Cards     | Total             |
|--|-------------------|------------------|------------------|-------------------|
| <b>Current Period - 31 December 2014</b> |                   |                  |                  |                   |
| Standard loans                           | 10.330.450        | 4.792.232        | 3.370.103        | 18.492.785        |
| Close monitoring loans                   | 309.402           | 115.557          | 119.009          | 543.968           |
| Loans under follow-up                    | 330.850           | 325.196          | 584.574          | 1.240.620         |
| The specific provision (-)               | 154.345           | 197.166          | 411.496          | 763.007           |
| <b>Total</b>                             | <b>10.816.357</b> | <b>5.035.819</b> | <b>3.662.190</b> | <b>19.514.366</b> |

|                                       | Commercial Loans | Consumer Loan    | Credit Cards     | Total             |
|---------------------------------------|------------------|------------------|------------------|-------------------|
| <b>Prior Period- 31 December 2013</b> |                  |                  |                  |                   |
| Standard loans                        | 9.075.023        | 4.809.384        | 4.284.812        | 18.169.219        |
| Close monitoring loans                | 367.608          | 101.091          | 166.325          | 635.024           |
| Loans under follow-up                 | 310.440          | 299.605          | 596.352          | 1.206.397         |
| The specific provision (-)            | 200.139          | 203.438          | 450.951          | 854.528           |
| <b>Total</b>                          | <b>9.552.932</b> | <b>5.006.642</b> | <b>4.596.538</b> | <b>19.156.112</b> |

s. Information on collaterals for non-performing loans of the Group:

|                   | Current Period<br>31 December 2014<br>Collateral Value | Prior Period<br>31 December 2013<br>Collateral Value |
|-------------------|--|--|
| Mortgages         | 416.550  | 316.704  |
| Pledged Vehicle   | 6.634  | 21.349   |
| Cheques and Notes | 274  | 983  |
| Cash              | 562  | 271  |
| <b>Total</b>      | <b>424.020</b>   | <b>339.307</b>                                       |

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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 Board of Directors for market risk, the methods used for measuring market risk and time intervals for measurement of market risk:

The Parent Bank applies advanced methods of its group in order to manage and control the market risk. For risk measurement and limit determination, Value at Risk approach with historical simulation method is being 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 within a day and reported to the top management. Risk monitoring and control activities are conducted by independent units.

Sensitivity to variability 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.

Beside 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.

The limit usages are being monitored through various checkpoints that are the rate of change in the price of main components of market risk (currency risk and interest rate risk), volatility, Present Value Basis Point ("PVBP"), correlation risk and market liquidity risk. Yield curve scenarios, stress scenarios, liquidity, gap, and volatility analysis have been performed consistently. The purposes of these analyses are to be prepared for the possible risks and to make quick decisions regarding the targeted profitability.

Market opportunities have been observed invariably for risk-reducing positions, procedures which provide protection against the risk and insurance transactions if appropriate. Currency and Total Liquidity Ratio, VaR and PVBP limits and excesses in limits, the internal capital requirement and stress test results have been reported top executive and Market Risk Committee as monthly.

**Information on Consolidated Market Risk:**

|  | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
|  | Amount           | Amount           |
| (I) Capital to be Employed for General Market Risk - Standard Method                               | 19 920           | 28.296           |
| (II) Capital to be Employed for Specific Risk - Standard Method                                    | 1.383            | 4.194            |
| Required Capital Requirement for securitization of the position of specific risk - Standard Method | -                | -                |
| (III) Capital to be Employed for Currency Risk - Standard Method                                   | 30 622           | 5.348            |
| (IV) Capital to be Employed for Commodity Risk - Standard Method                                   | -                | -                |
| (V) Capital to be Employed for Exchange Risk - Standard Method                                     | -                | -                |
| (VI) Capital to be Employed for Market Risk Due to Options - Standard Method                       | 54               | 85               |
| (VII) Capital requirement for counterparty credit risk - Standard Method                           | 30 621           | 52.099           |
| (VIII) Total Capital to be Employed for Market Risk for Banks Applying Risk Measurement Model      | -                | -                |
| (IX) Total Capital to be Employed for Market Risk (I+II+III+IV+V+VI+VII)                           | 82 600           | 90.022           |
| (X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)                                     | 1.032.500        | 1.125.275        |



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III. EXPLANATIONS ON CONSOLIDATED MARKET RISK (Continued)

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

|                                     | Current Period<br>31 December 2014 |                |               | Prior Period<br>31 December 2013 |                |               |
|-------------------------------------|------------------------------------|----------------|---------------|----------------------------------|----------------|---------------|
|                                     | Average                            | Maximum        | Minimum       | Average                          | Maximum        | Minimum       |
| Interest Rate Risk                  | 25.748                             | 32.070         | 19.101        | 39.229                           | 63.111         | 27.507        |
| Share Certificates Risk             | 2.942                              | 4.609          | 1.074         | 3.606                            | 4.666          | 2.395         |
| Currency Risk                       | 19.934                             | 42.657         | 6.561         | 20.565                           | 68.401         | 3.800         |
| Commodity Risk                      | -                                  | -              | -             | -                                | -              | -             |
| Settlement Risk                     | -                                  | -              | -             | -                                | -              | -             |
| Option Risk                         | 51                                 | 61             | 43            | 130                              | 207            | 85            |
| Counterparty Credit Risk            | 32.949                             | 55.319         | 23.094        | 65.345                           | 92.743         | 52.099        |
| <b>Total Amount Subject to Risk</b> | <b>81.624</b>                      | <b>106.224</b> | <b>58.925</b> | <b>128.875</b>                   | <b>162.141</b> | <b>90.022</b> |

b. Information related to counterparty credit risk:

The counterparty credit risk is calculated with "Fair Value Valuation Method" that is mentioned in the Communiqué on "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette No. 28337 on June 28, 2012 and entered into force as of July 1, 2012 and its annex "Derivative financial instruments, repurchase transactions, securities or commodities lending or borrowing transactions, Long Settlement Transactions with Counterparty Credit Risk in Credit Securities Transactions."

Counter party credit risk is calculated for repo, repurchase agreements, derivative transactions and asset purchase and sale commitment. According to the fair value of valuation method is based on the calculations. Costs of reconditioning of agreements that have positive value are obtained with valuation according to fair value of derivative transactions. Potential credit risk amount is obtained by multiplying agreement amounts with the ratios indicated in Regulation attachment. Sum of replacement cost and potential credit risk show the amount of risk. In repo and asset purchase and sale commitment transactions have been increased an appropriate amount of volatility adjustments as informed notification as specified in the relevant articles. It is used main risk exposure to Regulation 5 the implementation of the article.

Quantitative information on Counterparty Risk:

|                                     | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|-------------------------------------|------------------------------------|----------------------------------|
| Interest Rate Based Contracts       | 5.475.488                          | 3.560.971                        |
| Foreign Currency Based Contracts    | 47.446.363                         | 45.959.309                       |
| Commodity Based Contracts           | -                                  | -                                |
| Stock-Based Contracts               | -                                  | -                                |
| Other                               | -                                  | -                                |
| Positive Fair Value Gross Amount    | 583.161                            | 1.268.560                        |
| Benefits of Offsetting              | -                                  | -                                |
| Offsetting Current Risk Amount      | 1.249.400                          | 1.805.071                        |
| Retained Guarantee                  | -                                  | -                                |
| <b>Net Positions on Derivatives</b> | <b>1.249.400</b>                   | <b>1.805.071</b>                 |

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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 2010, 2011, and 2012 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.

| Current Period                            | 31.12.2011 | 31.12.2012 | 31.12.2013 | Total/No. of<br>Years of<br>Positive Gross | Rate<br>(%) | Total     |
|---|------------|------------|------------|--|-------------|-----------|
| Gross Income                              | 1.510.908  | 1.678.514  | 1.891.417  | 1.693.613                                  | 15          | 254.042   |
| Value at Operational<br>Risk (Total*12,5) |            |            |            |  |             | 3.175.524 |

| Prior Period                              | 31.12.2010 | 31.12.2011 | 31.12.2012 | Total/No. of<br>Years of<br>Positive Gross | Rate<br>(%) | Total     |
|---|------------|------------|------------|--|-------------|-----------|
| Gross Income                              | 1.393.660  | 1.510.908  | 1.678.514  | 1.527.694                                  | 15          | 229.154   |
| Value at Operational<br>Risk (Total*12,5) |            |            |            |  |             | 2.864.425 |

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**V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK**

- a. Whether the Group is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors:**

In foreign currency 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 Group acts in accordance with both the legal limitations and the limitations determined by the board of the directors.

Currency risk is expressed to the probability of loss of the banks due to changes in foreign exchanges rates. All foreign currency assets, liabilities and forward transactions of the Group are taken into consideration when calculating the capital requirement of currency risk and the value at risk is calculated using the Standard method.

Position limits determined by the Board of Directors of the Bank are monitored on a daily basis and the Group also monitored possible changes in the foreign currency transactions.

Balance sheet transactions denominated in foreign currencies are hedged against currency risk by using derivatives as a component of the Group's risk management strategy.

- 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 - 31 December 2014</b> | <b>USD (\$)</b> | <b>Euro (€)</b> |
|--|-----------------|-----------------|
| <b>Balance Sheet Date</b>                |                 |                 |
| Bank Evaluation Rate                     | 2,3330          | 2,8340          |
| <b>Before Balance Sheet Date</b>         |                 |                 |
| 1. Day Bid Rate                          | 2,3278          | 2,8337          |
| 2. Day Bid Rate                          | 2,3218          | 2,8305          |
| 3. Day Bid Rate                          | 2,3254          | 2,8373          |
| 4. Day Bid Rate                          | 2,3254          | 2,8373          |
| 5. Day Bid Rate                          | 2,3254          | 2,8373          |
| <b>Prior Period - 31 December 2013</b>   | <b>USD (\$)</b> | <b>EUR (€)</b>  |
| <b>Balance Sheet Date</b>                |                 |                 |
| Bank Evaluation Rate                     | 2,1430          | 2,9513          |
| <b>Before Balance Sheet Date</b>         |                 |                 |
| 1. Day Bid Rate                          | 2,1225          | 2,9279          |
| 2. Day Bid Rate                          | 2,1540          | 2,9724          |
| 3. Day Bid Rate                          | 2,0803          | 2,8463          |
| 4. Day Bid Rate                          | 2,0803          | 2,8463          |
| 5. Day Bid Rate                          | 2,0803          | 2,8463          |

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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:

The Parent Bank's simple arithmetic average foreign exchange rates for USD is TL 2,2974 (December 2013: TL 2,0659) and exchange rates for Euro TL 2,8290 (December 2013: TL 2,8312).

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

| Current Period - 31 December 2014                           | EURO             | USD                | Other FC         | Total              |
|---|------------------|--------------------|------------------|--------------------|
| <b>Assets</b>   |                  |                    |                  |                    |
| Cash Equivalents and Central Bank Banks                     | 372.352          | 1.643.350          | 592.375          | 2.608.077          |
| Financial Assets at Fair Value through Profit or Loss (Net) | 126.229          | 36.428             | 8.441            | 171.098            |
| Interbank Money Market Placements                           | -                | -                  | -                | -                  |
| Available-for-sale Financial Assets(Net)                    | -                | -                  | -                | -                  |
| Loans (*)   | 2.870.404        | 3.816.433          | 53.746           | 6.740.583          |
| Investments in Associates, Subsidiaries and Joint Ventures  | -                | -                  | -                | -                  |
| Held-to-maturity Investments (Net)                          | -                | -                  | -                | -                  |
| Hedging Derivative Financial Assets                         | -                | -                  | -                | -                  |
| Tangible Assets(Net)  | -                | -                  | -                | -                  |
| Intangible Assets (Net)                                     | -                | -                  | -                | -                  |
| Other Assets (**)   | 3.661            | 12.252             | 1.121            | 17.034             |
| <b>Total Assets</b>   | <b>3.391.006</b> | <b>6.318.966</b>   | <b>685.312</b>   | <b>10.395.284</b>  |
| <b>Liabilities</b>  |                  |                    |                  |                    |
| Bank Deposits   | 23               | 35.022             | 22               | 35.067             |
| Foreign Currency Deposits                                   | 2.104.894        | 4.895.432          | 1.028.725        | 8.029.051          |
| Funds from Interbank Money Market                           | -                | -                  | -                | -                  |
| Borrowings  | 1.651.314        | 5.111.742          | 6.171            | 6.769.227          |
| Issued Marketable Securities (Net)                          | -                | -                  | -                | -                  |
| Miscellaneous Payables                                      | 145.749          | 4.733              | 219              | 150.701            |
| Hedging Derivative Financial Liabilities                    | -                | -                  | -                | -                  |
| Other Liabilities   | 71.300           | 378.222            | 47.185           | 496.707            |
| <b>Total Liabilities</b>                                    | <b>3.973.280</b> | <b>10.425.151</b>  | <b>1.082.322</b> | <b>15.480.753</b>  |
| <b>Net on Balance Sheet Position</b>                        | <b>(582.274)</b> | <b>(4.106.185)</b> | <b>(397.010)</b> | <b>(5.085.469)</b> |
| <b>Net Off-Balance Sheet Position</b>                       |                  |                    |                  |                    |
| Financial Derivative Assets                                 | 2.730.775        | 23.424.387         | 1.016.397        | 27.171.559         |
| Financial Derivative Liabilities                            | 2.152.530        | 19.647.725         | 324.830          | 22.125.085         |
| Non-cash Loans  | 315.039          | 2.002.786          | 34.761           | 2.352.586          |
| <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 31 December 2014, loans consists of foreign indexed loans amounting to TL 1.951.429 (31 December 2013: TL 1.728.042) and foreign factoring receivables amounting to TL 15.793 (31 December 2013: TL 8.752).

(\*\*) As of 31 December 2014, other assets does not consist of prepaid expenses amounting to TL 79 (31 December 2013: TL 1.108).

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

As of 31 December 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<br>31 December 2014 |                | Prior Period<br>31 December 2013 |              |
|--------------|------------------------------------|----------------|----------------------------------|--------------|
|              | Income Statement                   | Equity (*)     | Income Statement                 | Equity (*)   |
| USD          | (32.952)                           | (32.952)       | 2.768                            | 2.768        |
| Euro         | (403)                              | (403)          | (2.529)                          | (2.529)      |
| Other        | 29.456                             | 29.456         | 821                              | 821          |
| <b>Total</b> | <b>(3.899)</b>                     | <b>(3.899)</b> | <b>1.060</b>                     | <b>1.060</b> |

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

As of 31 December 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

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

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

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

| Current Period - 31 December 2014                           | Up to 1<br>Month  | 1 - 3<br>Months  | 3 - 12<br>Months | 1 - 5<br>Years   | 5 Years<br>and Over | Non Interest<br>Bearing | Total             |
|---|-------------------|------------------|------------------|------------------|---------------------|-------------------------|-------------------|
| <b>Assets</b>   |                   |                  |                  |                  |                     |                         |                   |
| Cash Equivalents and Central Bank                           | 2.468.438         | -                | -                | -                | -                   | 1.037.220               | 3.505.658         |
| Banks   | 1.709.807         | 17.348           | -                | -                | -                   | 146.171                 | 1.873.326         |
| Financial Assets at Fair Value Through Profit or Loss (Net) | 550.772           | 247.794          | 174.269          | 27.679           | 8.224               | 2.875                   | 1.011.613         |
| Interbank Money Market Placements                           | 6.833.606         | -                | -                | -                | -                   | -                       | 6.833.606         |
| Financial Assets Available-for-Sale (Net)                   | 42.535            | 154.696          | 328.793          | -                | -                   | 4.385                   | 530.409           |
| Loans (*)   | 6.390.457         | 3.831.499        | 3.678.076        | 3.955.101        | 1.181.620           | 477.613                 | 19.514.366        |
| Investments Held-to-Maturity (Net)                          | -                 | -                | -                | -                | -                   | -                       | -                 |
| Other Assets  | -                 | -                | -                | -                | -                   | 594.005                 | 594.005           |
| <b>Total Assets</b>   | <b>17.995.615</b> | <b>4.251.337</b> | <b>4.181.138</b> | <b>3.982.780</b> | <b>1.189.844</b>    | <b>2.262.269</b>        | <b>33.862.983</b> |
| <b>Liabilities</b>  |                   |                  |                  |                  |                     |                         |                   |
| Bank Deposits   | 388.599           | -                | -                | -                | -                   | 47.713                  | 436.312           |
| Other deposits  | 12.604.060        | 2.409.993        | 345.425          | 22.919           | -                   | 3.205.034               | 18.587.431        |
| Funds from Interbank Money Market                           | 395.596           | -                | -                | -                | -                   | -                       | 395.596           |
| Miscellaneous Payables                                      | -                 | -                | -                | -                | -                   | 595.612                 | 595.612           |
| Issued Marketable Securities (Net)                          | -                 | -                | -                | -                | -                   | -                       | -                 |
| Funds Borrowed  | 4.983.154         | 1.703.913        | 2.374.911        | 214.452          | 452                 | 5.179                   | 9.282.061         |
| Other Liabilities (**)                                      | 189.395           | 137.396          | 85.400           | 666.973          | 40.480              | 3.446.327               | 4.565.971         |
| <b>Total Liabilities</b>                                    | <b>18.560.804</b> | <b>4.251.302</b> | <b>2.805.736</b> | <b>904.344</b>   | <b>40.932</b>       | <b>7.299.865</b>        | <b>33.862.983</b> |
| Balance Sheet Long Position                                 | -                 | 35               | 1.375.402        | 3.078.436        | 1.148.912           | -                       | 5.602.785         |
| Balance Sheet Short Position                                | (565.189)         | -                | -                | -                | -                   | (5.037.596)             | (5.602.785)       |
| Off Balance Sheet Long Position                             | 9.620             | -                | 57.392           | 6.830            | -                   | -                       | 73.842            |
| Off Balance Sheet Short Position                            | -                 | (35.087)         | -                | -                | -                   | -                       | (35.087)          |
| <b>Total Position</b>                                       | <b>(555.569)</b>  | <b>(35.052)</b>  | <b>1.432.794</b> | <b>3.085.266</b> | <b>1.148.912</b>    | <b>(5.037.596)</b>      | <b>38.755</b>     |

(\*) Loans consist of factoring transactions amounting to TL 178.305.

(\*\*) 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<br>Month   | 1 - 3<br>Months  | 3 - 12<br>Months | 1 - 5<br>Years   | 5 Years and<br>Over | Non Interest<br>Bearing | Total             |
|--|--------------------|------------------|------------------|------------------|---------------------|-------------------------|-------------------|
| <b>Assets</b>  |                    |                  |                  |                  |                     |                         |                   |
| Cash Equivalents and Central Bank                              | -                  | -                | -                | -                | -                   | 3 699 273               | 3 699 273         |
| Banks  | 447 669            | 1 035 753        | 22 644           | -                | -                   | 160 423                 | 1 666 489         |
| Financial Assets at Fair Value Through<br>Profit or Loss (Net) | 718 431            | 552 898          | 647 910          | 38 756           | 10 528              | 10 313                  | 1 978 836         |
| Interbank Money Market Placements                              | 6 787 257          | -                | -                | -                | -                   | -                       | 6 787 257         |
| Financial Assets Available-for-Sale (Net)                      | 463 858            | 1 024 165        | 757 083          | -                | -                   | 4 225                   | 2 249 331         |
| Loans (*)  | 6 586 215          | 3 777 988        | 3 080 286        | 4 042 951        | 1 316 803           | 351 869                 | 19 156 112        |
| Investments Held-to-Maturity (Net)                             | -                  | -                | -                | -                | -                   | -                       | -                 |
| 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   | 2 504 877          | 2 296 600        | 1 957 786        | 1 868 170        | 2 054 830           | -                       | 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>16.585.828</b>  | <b>4.891.059</b> | <b>2.905.066</b> | <b>2.588.892</b> | <b>2.059.218</b>    | <b>7.228.629</b>        | <b>36.258.692</b> |
| Balance Sheet Long Position                                    | -                  | 1 499 745        | 1 602 857        | 1 492 815        | -                   | -                       | 4 595 417         |
| Balance Sheet Short Position                                   | (1 582 398)        | -                | -                | -                | (731 887)           | (2 281 132)             | (4 595 417)       |
| 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>(1.473.601)</b> | <b>1.363.803</b> | <b>1.480.828</b> | <b>1.493.312</b> | <b>(731.887)</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 - 31 December 2014                           | Euro        | US Dollar        | Yen        | TL        |
|---|-------------|------------------|------------|-----------|
| <b>Assets</b>   | %           | %                | %          | %         |
| Cash Equivalents and Central Bank                           | -           | -                | -          | 1,51      |
| Banks   | -           | 1,19             | -          | 10,45     |
| Financial Assets at Fair Value Through Profit or Loss (Net) | 5,14        | 7,10             | -          | 6,65      |
| Interbank Money Market Placements                           | -           | -                | -          | 11,24     |
| Financial Assets Available-for-Sale(Net)                    | -           | -                | -          | 7,43      |
| Loans   | 4,16        | 3,91             | -          | 11,29     |
| <b>Liabilities</b>  |             |                  |            |           |
| Bank Deposits   | -           | 0,45             | -          | 11,24     |
| Other Deposits  | 1,12        | 1,35             | 0,90       | 9,30      |
| Funds From Interbank Money Market                           | -           | -                | -          | 8,25      |
| Borrowings  | 1,71        | 1,72             | -          | 10,06     |
| <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      |
| Borrowings  | 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 behavioral 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 behavioral 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 Banking Book as per Standard Shock Method

| 31 December 2014                  | Shocks Applied<br>(+/- x basis point) | Gains /<br>Losses | Gains /<br>Equity - Losses /<br>Equity |
|-----------------------------------|---------------------------------------|-------------------|--|
| Type of Currency                  |                                       |                   |  |
| 1. TRY                            | 500                                   | (317.579)         | (7,55)%                                |
| 2. EURO                           | (400)                                 | 329.588           | 7,83%                                  |
| 3. USD                            | 200                                   | 81.332            | 1,93%                                  |
| 4. TRY                            | (200)                                 | (12.804)          | (0,30)%                                |
| 5. EURO                           | 200                                   | 64.576            | 1,53%                                  |
| 6. USD                            | (200)                                 | (73.262)          | (1,74)%                                |
| <b>Total (of negative shocks)</b> |                                       | <b>243.522</b>    | <b>5,79%</b>                           |
| <b>Total (of positive shocks)</b> |                                       | <b>(171.671)</b>  | <b>(4,09)%</b>                         |

| 31 December 2013                  | Shocks Applied<br>(+/- x basis point) | Gains /<br>Losses | Gains /<br>Equity - Losses /<br>Equity |
|-----------------------------------|---------------------------------------|-------------------|--|
| Type of Currency                  |                                       |                   |  |
| 1. TRY                            | 500                                   | (414.036)         | (9,78)%                                |
| 2. EURO                           | (400)                                 | 427.651           | 10,10%                                 |
| 3. USD                            | 200                                   | 18.440            | 0,44%                                  |
| 4. TRY                            | (200)                                 | (3.419)           | (0,08)%                                |
| 5. EURO                           | 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

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.

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**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, the Group 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.

In accordance with the Communiqué on the Measurement and Assessment of Liquidity of the Banks published in the Official Gazette dated 1 November 2006, liquidity ratio of the banks on a weekly and monthly basis should be 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should be 100%. Liquidity ratios of the Parent Bank as at 2014 and 2013 are presented below:

| Foreign Currency<br>Current Period - 31 December 2014 | I. Maturity Tranche | II. Maturity Tranche |
|---|---------------------|----------------------|
| Average   | 131,66              | 116,01               |
| Maximum   | 186,53              | 129,38               |
| Minimum   | 93,62               | 92,82                |
| <b>Total</b>  |                     |                      |
| Total<br>Current Period - 31 December 2014            | I. Maturity Tranche | II. Maturity Tranche |
| Average   | 129,84              | 119,33               |
| Maximum   | 156,77              | 132,73               |
| Minimum   | 116,51              | 108,89               |
| Foreign Currency<br>Current Period - 31 December 2013 | I. Maturity Tranche | II. Maturity Tranche |
| Average   | 127,81              | 113,48               |
| Maximum   | 208,93              | 140,71               |
| Minimum   | 93,55               | 92,61                |
| <b>Total</b>  |                     |                      |
| Total<br>Current Period - 31 December 2013            | I. Maturity Tranche | II. Maturity Tranche |
| Average   | 125,03              | 114,51               |
| Maximum   | 150,63              | 122,72               |
| Minimum   | 113,86              | 108,25               |

- 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 LIQUIDITY RISK (Continued)

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

| Current Period - 31 December 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                           | 1.037.220          | 2.468.438          | -                | -                | -                | -                | -                  | 3.505.658         |
| Banks   | 146.171            | 1.709.807          | 17.348           | -                | -                | -                | -                  | 1.873.326         |
| Financial Assets at Fair Value through Profit or Loss (Net) | 2.875              | 532.660            | 112.524          | 156.483          | 140.757          | 66.314           | -                  | 1.011.613         |
| Interbank Money Market Placements                           | -                  | 6.833.606          | -                | -                | -                | -                | -                  | 6.833.606         |
| Financial Assets Available-for-Sale (Net)                   | -                  | 42.365             | 97.522           | 198.770          | 187.204          | 163              | 4.385              | 530.409           |
| Loans (*)   | -                  | 5.301.212          | 2.583.700        | 3.890.984        | 5.752.257        | 1.508.600        | 477.613            | 19.514.366        |
| Investments Held-to-Maturity (Net)                          | -                  | -                  | -                | -                | -                | -                | -                  | -                 |
| Other Assets (**)   | -                  | 83.891             | 31.537           | 13.274           | 33.360           | -                | 431.943            | 594.005           |
| <b>Total Assets</b>   | <b>1.186.266</b>   | <b>16.971.979</b>  | <b>2.842.631</b> | <b>4.259.511</b> | <b>6.113.578</b> | <b>1.575.077</b> | <b>913.941</b>     | <b>33.862.983</b> |
| <b>Liabilities</b>  |                    |                    |                  |                  |                  |                  |                    |                   |
| Bank Deposits   | 47.713             | 388.599            | -                | -                | -                | -                | -                  | 436.312           |
| Other Deposits  | 3.205.034          | 12.604.060         | 2.409.993        | 345.425          | 22.919           | -                | -                  | 18.587.431        |
| Funds Borrowed  | 5.179              | 4.388.240          | 372.776          | 976.277          | 2.466.494        | 1.073.095        | -                  | 9.282.061         |
| Funds from Interbank Money Market                           | -                  | 395.596            | -                | -                | -                | -                | -                  | 395.596           |
| Issued Marketable Securities (Net)                          | -                  | -                  | -                | -                | -                | -                | -                  | -                 |
| Miscellaneous Payables                                      | -                  | 436.926            | 92.469           | 62.264           | 2.200            | -                | 1.753              | 595.612           |
| Other Liabilities (***)                                     | -                  | 180.558            | 137.396          | 201.565          | 559.449          | 40.676           | 3.446.327          | 4.565.971         |
| <b>Total Liabilities</b>                                    | <b>3.257.926</b>   | <b>18.393.979</b>  | <b>3.012.634</b> | <b>1.585.531</b> | <b>3.051.062</b> | <b>1.113.771</b> | <b>3.448.080</b>   | <b>33.862.983</b> |
| <b>Net Liquidity Gap</b>                                    | <b>(2.071.660)</b> | <b>(1.422.000)</b> | <b>(170.003)</b> | <b>2.673.980</b> | <b>3.062.516</b> | <b>461.306</b>   | <b>(2.534.139)</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 31 December 2014, loans includes the factoring receivables amounting to TL 178.305 (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, stationery, 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.

f. Breakdown of liabilities according to their remaining contractual maturities:

| Current Period - 31 December 2014      | Up to 1 month     | 1-3 months       | 3-12 months      | 1-5 years        | Over 5 years     | Total             |
|--|-------------------|------------------|------------------|------------------|------------------|-------------------|
| Bank Deposits                          | 436.427           | -                | -                | -                | -                | 436.427           |
| Other Deposits                         | 16.314.882        | 1.973.544        | 341.683          | 23.569           | -                | 18.653.678        |
| Payables to Money Market               | 395.657           | -                | -                | -                | -                | 395.657           |
| Borrowings                             | 4.394.332         | 370.679          | 973.522          | 2.758.345        | 1.073.262        | 9.570.140         |
| <b>Total</b>                           | <b>21.541.298</b> | <b>2.344.223</b> | <b>1.315.205</b> | <b>2.781.914</b> | <b>1.073.262</b> | <b>29.055.902</b> |
| <b>Prior Period - 31 December 2013</b> |                   |                  |                  |                  |                  |                   |
| Bank Deposits                          | 663.712           | 2.129            | 6.378            | -                | -                | 672.219           |
| Other Deposits                         | 14.360.631        | 2.100.517        | 467.492          | 20.076           | -                | 16.948.716        |
| Payables to Money Market               | 2.025.908         | -                | -                | -                | -                | 2.025.908         |
| Borrowings                             | 3.537.604         | -                | 2.019.760        | 4.375.658        | 1.530.067        | 11.463.089        |
| <b>Total</b>                           | <b>20.587.855</b> | <b>2.102.646</b> | <b>2.493.630</b> | <b>4.395.734</b> | <b>1.530.067</b> | <b>31.109.932</b> |

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

g. Explanations on securitisation positions:

None.

h. Breakdown of derivative instruments according to their remaining contractual maturities:

| Current Period - 31 December 2014    | Up to 1 month     | 1-3 months        | 3-12 months       | 1-5 years        | 5 years and Over | Total             |
|--------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|
| <b>Derivatives held for trading</b>  |                   |                   |                   |                  |                  |                   |
| <b>Foreign exchange derivatives:</b> |                   |                   |                   |                  |                  |                   |
| - Inflow                             | 11.603.566        | 13.201.093        | 12.756.735        | 4.070.043        | 873.583          | 42.505.020        |
| - Outflow                            | 11.622.011        | 13.174.978        | 12.775.634        | 3.945.881        | 716.584          | 42.235.088        |
| <b>Interest rate derivatives:</b>    |                   |                   |                   |                  |                  |                   |
| - Inflow                             | -                 | -                 | -                 | 3.384.885        | 2.090.703        | 5.475.588         |
| - Outflow                            | -                 | -                 | -                 | 3.384.885        | 2.090.703        | 5.475.588         |
| <b>Total Inflow</b>                  | <b>11.603.566</b> | <b>13.201.093</b> | <b>12.756.735</b> | <b>7.454.928</b> | <b>2.964.286</b> | <b>47.980.608</b> |
| <b>Total Outflow</b>                 | <b>11.622.011</b> | <b>13.174.978</b> | <b>12.775.634</b> | <b>7.330.766</b> | <b>2.807.287</b> | <b>47.710.676</b> |

| Prior Period - 31 December 2013      | Up to 1 month    | 1-3 months        | 3-12 months       | 1-5 years        | 5 years and Over | Total             |
|--------------------------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|
| <b>Derivatives held for trading</b>  |                  |                   |                   |                  |                  |                   |
| <b>Foreign exchange derivatives:</b> |                  |                   |                   |                  |                  |                   |
| - Inflow                             | 3.487.114        | 12.110.140        | 24.380.649        | 3.733.460        | 472.529          | 44.183.892        |
| - Outflow                            | 3.456.431        | 11.837.618        | 24.753.535        | 3.668.644        | 365.969          | 44.082.197        |
| <b>Interest rate derivatives:</b>    |                  |                   |                   |                  |                  |                   |
| - Inflow                             | -                | 2.518.025         | 951.412           | 1.998.134        | 1.690.914        | 7.158.485         |
| - Outflow                            | -                | 2.518.025         | 951.412           | 1.998.134        | 1.690.914        | 7.158.485         |
| <b>Total Inflow</b>                  | <b>3.487.114</b> | <b>14.628.165</b> | <b>25.332.061</b> | <b>5.731.594</b> | <b>2.163.443</b> | <b>51.342.377</b> |
| <b>Total Outflow</b>                 | <b>3.456.431</b> | <b>14.355.643</b> | <b>25.704.947</b> | <b>5.666.778</b> | <b>2.056.883</b> | <b>51.240.682</b> |

VIII. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES

a. Process of net-offs of balance sheet and off-balance sheet items and net-offs made through policies and Parent Bank's net-off usage level:

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

b. Applications regarding valuation and management of collaterals:

As at reporting date monetary collaterals are involved in the credit risk mitigation process by their current value. The legal validity of real estate mortgage are provided by registration of pledge with timely and duly and important changes in market conditions are monitored.

c. Types of collaterals received:

In terms of credit risk mitigation, Group uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on dwelling and commercial real estate reported under different risk class are other main types of collaterals.

Volatility adjustments related to receivable, collateral and exchange mismatch of collateral is applied Standard volatility approach that is determined the Article 37 of the communiqué "Credit Risk Mitigation Techniques".

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VIII. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES (Continued)

d. Main guarantor and credit derivatives' counter party and their credit valuableness:

None.

e. Information on credit mitigation in market or credit risk concentration:

None.

f. Collaterals based on risk classifications:

| Risk Classifications   | Balance           | Financial Guaranties | Other/Physical Guaranties | Guaranties And Credit Derivatives |
|--|-------------------|----------------------|---------------------------|-----------------------------------|
| Conditional and unconditional receivables from central governments or central banks                | 4 027 395         | -                    | -                         | -                                 |
| 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                          | 2 766 630         | -                    | -                         | -                                 |
| Conditional and unconditional receivables from Corporates  | 12 503 378        | 236 189              | -                         | -                                 |
| Conditional and unconditional retail receivables   | 12 804 260        | 85 464               | -                         | -                                 |
| Conditional and unconditional receivables secured by Mortgages                                     | 1 801 435         | -                    | -                         | -                                 |
| Past due receivables   | 483 556           | 451                  | -                         | -                                 |
| Receivables defined in high risk category by BRSA  | 2 806 610         | 56 496               | -                         | -                                 |
| Securities collateralised by mortgages   | -                 | -                    | -                         | -                                 |
| Securitisation positions   | -                 | -                    | -                         | -                                 |
| Short-term receivables from banks, brokerage houses and corporates                                 | -                 | -                    | -                         | -                                 |
| Investments similar to collective investment funds   | -                 | -                    | -                         | -                                 |
| Other receivables  | 526 330           | -                    | -                         | -                                 |
| <b>Total</b>   | <b>37.719.594</b> | <b>378.600</b>       | -                         | -                                 |

(\*) Before credit risk mitigation, after credit conversion factor risk amounts are given

IX. RISK MANAGEMENT OBJECTIVES AND POLICIES

The objective of the 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.

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

Risk Management Policies; have been updated considering legal regulations, operations and all risks that the Bank is facing and went into effect by approval of the Board of Directors.

The Top Management is responsible of taking initiative under the authority granted to them if there are any unexpected situations and timely and confidential reporting of major risks that the Bank facing to the Board of Directors.

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**IX. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

Every personnel of the Group responsible with, operations carried on properly with legal regulations, bank’s policy and internal legislation. Every personnel is responsible of fulfilling their responsibilities, informing immediately the top management if they are facing unethical attitudes or situations against bank policies and illegal operations for providing effective risk management.

In the process of risk management, within the internal systems, Risk Management Department, Internal Control Department, Regulatory Compliance Unit and Internal Audit Department operates under the Board of Directors.

Units other than internal systems and all staff’s responsibilities for the process are determined on Risk Management Policies.

Risk Limits are determined for the market, credit, and operational risks, The Bank organized detailed Risk Limits applications with Risk Limits Application Guidance.

New products and services offered by the Parent Bank are subject to careful consideration. The process of presentation of new products and services are determined with in-bank regulations.

Accordance with the regulations and standards of the bank, ensuring the information security policies and procedures for confidentiality, integrity and availability of information are determined on Information Security Policy and Information Security Risk Application Instruction.

The Bank constantly evaluates the types, components, and distribution of capital that considered sufficient for incurred or might be incurred risks. This process is determined on Internal Evaluation Process for Capital Requirement Application Instruction in detail.

The Bank diversifies its loan portfolios taking into account the target products, customer base and general credit strategy. Credit concentrations are monitored on the basis of sector and consolidated groups. The risk of condensation is monitored within the scope of credit risk.

The Bank has restructured the necessary framework properly for the operational risk management. Current and potential operational risks are identified and assessed at least once a year. Reasons of losses use to operational risks are analyzed and these reasons are recorded.

Risks are gauged with Risk Control Evaluation studies and key risk indicators are created for high-risk points. Benefiting from results of Risk and Control Evaluation Process, internal and external audits, the findings of the regulatory authority, operational risk events lessons, aimed to continuous improvement of controls and minimize losses from operational risks. Precautions are provided for eliminating high risk issues that determined by tools such as analysis of operational losses and lack of systematical and/or procedural control.

The Bank is applying stress tests on a regular basis in order to measure effects of changes in risk factors on the bank’s capital and income and expenses, and assess the possible impact of unexpected market conditions and events on basic area of activity. Stress tests are used to estimate possible losses from market conditions and economic environment and economic capital to cover these losses. It is also used to define possible events and changes in market conditions may adversely affect the Bank. It is composed of a single factor sensitivity analysis and multi-factor scenario analysis.

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

**a. Explanations on calculation of financial assets and liabilities at their fair values:**

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair values of the overnight deposits and floating rate placements represent the carrying value. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the market interest rates of similar liabilities and loans.

The estimated fair value of loans and borrowing with bank placements is determined by calculating the discounted cash flow using the current market rates for the loans with fixed rate. For the loans with floating interest rates, it is assumed that carrying value reflects the fair value.

Available-for-sale financial assets at fair value of shares of the bank, which they are traded in the market at the reporting date, calculated based on the determined closing prices. The fair value of the shares that not traded in the market is determined by its cost. Government debt securities classified as available-for-sale financial assets have been measured by fair value that are used price that on the market. Thus, there is no difference between their fair value and carrying value.

|   | Carrying Value                     |                                  | Fair Value                         |                                  |
|---|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
|   | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
| <b>Financial Assets</b>                   | <b>28.751.707</b>                  | <b>29.859.189</b>                | <b>29.466.806</b>                  | <b>30.534.843</b>                |
| Interbank Money Market Placements         | 6.833.606                          | 6.787.257                        | 6.833.606                          | 6.787.257                        |
| Banks                                     | 1.873.326                          | 1.666.489                        | 1.877.215                          | 1.664.681                        |
| Financial Assets Available-for-Sale (Net) | 530.409                            | 2.249.331                        | 530.409                            | 2.249.331                        |
| Investments Held-to-Maturity (Net)        | -                                  | -                                | -                                  | -                                |
| Loans (*)                                 | 19.514.366                         | 19.156.112                       | 20.225.576                         | 19.833.574                       |
| <b>Financial Liabilities</b>              | <b>28.901.416</b>                  | <b>28.797.819</b>                | <b>29.484.016</b>                  | <b>29.530.988</b>                |
| Bank Deposits                             | 436.312                            | 634.137                          | 436.312                            | 634.137                          |
| Other Deposits                            | 18.587.431                         | 16.936.576                       | 18.662.529                         | 16.988.584                       |
| Borrowings                                | 9.282.061                          | 10.682.263                       | 9.789.563                          | 11.363.424                       |
| Securities Issued                         | -                                  | -                                | -                                  | -                                |
| Miscellaneous Payables                    | 595.612                            | 544.843                          | 595.612                            | 544.843                          |

(\*) Includes the factoring receivables amounting to TL 178.305 (31 December 2013: TL 55.099).

**b. Explanations on fair value hierarchy:**

Aforesaid classifications related to fair values are determined as follows;

- 1st level, amounts are valued by quoted market prices for assets and liabilities.,
- 2nd level, directly or indirectly observable data for the assets and liabilities, other than quoted prices in the 1st level
- 3rd level, data are not observable regarding to assets and liabilities.

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X. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR  
FAIR VALUES (Continued)

| Current Period - 31 December 2014                            | 1st Level      | 2nd Level      | 3rd Level | Total            |
|--|----------------|----------------|-----------|------------------|
| <b>Financial Assets at Fair Value Through Profit or Loss</b> | <b>390.456</b> | <b>654.581</b> | -         | <b>1.045.037</b> |
| - Government debt securities                                 | 390.456        | -              | -         | 390.456          |
| - Share certificates   | -              | -              | -         | -                |
| - Trading derivative financial assets(**)                    | -              | 654.581        | -         | 654.581          |
| - Other securities(*)  | -              | -              | -         | -                |
| <b>Available for Sale Financial Assets</b>                   | <b>526.024</b> | -              | -         | <b>526.024</b>   |
| - Government debt securities                                 | 526.024        | -              | -         | 526.024          |
| - Other marketable securities (*)                            | -              | -              | -         | -                |
| <b>Total Assets</b>  | <b>916.480</b> | <b>654.581</b> | -         | <b>1.571.061</b> |
| <b>Trading Derivative Financial Liabilities (**)</b>         | -              | <b>512.255</b> | -         | <b>512.255</b>   |
| <b>Total Liabilities</b>                                     | -              | <b>512.255</b> | -         | <b>512.255</b>   |

| Prior Period - 31 December 2013                              | 1st Level        | 2nd Level        | 3rd Level | Total            |
|--|------------------|------------------|-----------|------------------|
| <b>Financial Assets at Fair Value Through Profit or Loss</b> | <b>561.577</b>   | <b>1.406.946</b> | -         | <b>1.968.523</b> |
| - Government debt securities                                 | 561.561          | -                | -         | 561.561          |
| - Share certificates   | -                | -                | -         | -                |
| - Trading derivative financial assets                        | 16               | 1.406.946        | -         | 1.406.962        |
| - Other securities   | -                | -                | -         | -                |
| <b>Available for Sale Financial Assets</b>                   | <b>2.245.106</b> | -                | -         | <b>2.245.106</b> |
| - Government debt securities                                 | 2.245.106        | -                | -         | 2.245.106        |
| - Other marketable securities (*)                            | -                | -                | -         | -                |
| <b>Total Assets</b>  | <b>2.806.683</b> | <b>1.406.946</b> | -         | <b>4.213.629</b> |
| <b>Trading Derivative Financial Liabilities</b>              | <b>20</b>        | <b>1.308.356</b> | -         | <b>1.308.376</b> |
| <b>Total Liabilities</b>                                     | <b>20</b>        | <b>1.308.356</b> | -         | <b>1.308.376</b> |

(\*) Due to the fact that the amounts of fund certificates that were recognized under financial assets at fair value through profit or loss and Kredi Garanti Fonu that is recognized under the financial assets available-for-sale are classified with their acquisition cost, they are not included in the table below.

(\*\*) Includes hedging derivative financial assets/liabilities items.

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

a. **Transaction, Custody, Management and Consultancy Services of the Group on behalf of Third Parties:**

The Group acts as an intermediary for purchases and sales of government securities on behalf and account of other persons, and provides custody services. The Bank, within special customer service, provides portfolio management and consultancy services to its customers.

b. **Transactions with other financial institutions under fiduciary transaction agreements and financial services rendered to other financial institutions under the scope of fiduciary transactions and the effects of such services to the financial position of the Group:**

The Group has no fiduciary transactions.



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**XII. 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.

Informations on consolidated operating segments presented in the table below.

|  | Retail Banking    | Corporate<br>And Investment<br>Banking | Treasury and<br>Capital Markets | Other           | Group's Total<br>Activities |
|--|-------------------|--|---------------------------------|-----------------|-----------------------------|
| <b>Current Period-31 December 2014</b> |                   |  |                                 |                 |                             |
| Operating Income                       | 1.217.378         | 493.514                                | 180.112                         | -               | 1.891.004                   |
| Other                                  | -                 | -                                      | -                               | -               | -                           |
| <b>Operating Income</b>                | <b>1.217.378</b>  | <b>493.514</b>                         | <b>180.112</b>                  | <b>-</b>        | <b>1.891.004</b>            |
| Segment Net Profit                     | -                 | -                                      | -                               | -               | -                           |
| Undistributed Cost                     | -                 | -                                      | -                               | -               | -                           |
| Operating Profit                       | (247.989)         | 119.043                                | 82.441                          | -               | (46.505)                    |
| <b>Profit before Tax</b>               | <b>(247.989)</b>  | <b>119.043</b>                         | <b>82.441</b>                   | <b>-</b>        | <b>(46.505)</b>             |
| Corporate Tax Provision (*)            | -                 | -                                      | -                               | (10.599)        | (10.599)                    |
| <b>Profit after Tax</b>                | <b>(247.989)</b>  | <b>119.043</b>                         | <b>82.441</b>                   | <b>(10.599)</b> | <b>(57.104)</b>             |
| Non-Controlling Interest               | -                 | -                                      | -                               | -               | -                           |
| <b>Net Profit for the Period</b>       | <b>(247.989)</b>  | <b>119.043</b>                         | <b>82.441</b>                   | <b>(10.599)</b> | <b>(57.104)</b>             |
| Segment Assets                         | 9.195.473         | 11.450.640                             | 13.216.600                      | -               | 33.862.713                  |
| Associates and Subsidiaries            | -                 | -                                      | -                               | 270             | 270                         |
| Undistributed Assets                   | -                 | -                                      | -                               | -               | -                           |
| <b>Total Assets</b>                    | <b>9.195.473</b>  | <b>11.450.640</b>                      | <b>13.216.600</b>               | <b>270</b>      | <b>33.862.983</b>           |
| Segment Liabilities                    | 18.837.321        | 5.399.811                              | 9.625.851                       | -               | 33.862.983                  |
| Undistributed Liabilities              | -                 | -                                      | -                               | -               | -                           |
| <b>Total Liabilities</b>               | <b>18.837.321</b> | <b>5.399.811</b>                       | <b>9.625.851</b>                | <b>-</b>        | <b>33.862.983</b>           |
| <b>Other Segment Items</b>             | <b>(110.938)</b>  | <b>(7.824)</b>                         | <b>(3.765)</b>                  | <b>-</b>        | <b>(122.527)</b>            |
| Capital Investment                     | -                 | -                                      | -                               | -               | -                           |
| Amortization                           | (39.757)          | (7.824)                                | (2.895)                         | -               | (50.476)                    |
| Impairment                             | -                 | -                                      | (870)                           | -               | (870)                       |
| Non-Cash Other Income-Expense          | (71.181)          | -                                      | -                               | -               | (71.181)                    |

(\*) Corporate tax provision is not distributed.

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XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

|                                      | Retail Banking    | Corporate<br>And Investment<br>Banking | Treasury and Capital<br>Markets | Other           | Group's Total<br>Activities |
|--------------------------------------|-------------------|--|---------------------------------|-----------------|-----------------------------|
| <b>Prior Period 31 December 2013</b> |                   |  |                                 |                 |                             |
| Operating Income                     | 1.133.755         | 473.263                                | 281.024                         | -               | 1.888.042                   |
| Other                                | -                 | -                                      | -                               | -               | -                           |
| <b>Operating Income</b>              | <b>1.133.755</b>  | <b>473.263</b>                         | <b>281.024</b>                  | <b>-</b>        | <b>1.888.042</b>            |
| Segment Net Profit                   | -                 | -                                      | -                               | -               | -                           |
| Undistributed Cost                   | -                 | -                                      | -                               | -               | -                           |
| Operating Profit                     | (272.343)         | 36.524                                 | 320.311                         | -               | 84.492                      |
| <b>Profit before Tax</b>             | <b>(272.343)</b>  | <b>36.524</b>                          | <b>320.311</b>                  | <b>-</b>        | <b>84.492</b>               |
| Corporate Tax Provision (*)          | -                 | -                                      | -                               | (40.089)        | (40.089)                    |
| <b>Profit after Tax</b>              | <b>(272.343)</b>  | <b>36.524</b>                          | <b>320.311</b>                  | <b>(40.089)</b> | <b>44.403</b>               |
| Non-Controlling Interest             | -                 | -                                      | -                               | -               | -                           |
| <b>Net Profit for the Period</b>     | <b>(272.343)</b>  | <b>36.524</b>                          | <b>320.311</b>                  | <b>(40.089)</b> | <b>44.403</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>131.218</b>    | <b>(7.673)</b>                         | <b>(5.410)</b>                  | <b>-</b>        | <b>118.135</b>              |
| Capital Investment                   | -                 | -                                      | -                               | -               | -                           |
| Amortization                         | (42.604)          | (7.673)                                | (2.124)                         | -               | (52.401)                    |
| Impairment                           | -                 | -                                      | (3.286)                         | -               | (3.286)                     |
| Non-Cash Other Income-Expense        | 173.822           | -                                      | -                               | -               | 173.822                     |

(\*) Corporate tax provision is not distributed.

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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<br>31 December 2014 |                  | Prior Period<br>31 December 2013 |                  |
|-----------------------|------------------------------------|------------------|----------------------------------|------------------|
|                       | TL                                 | FC               | TL                               | FC               |
| Cash/Foreign Currency | 221.235                            | 127.391          | 227.581                          | 142.946          |
| The CBRT              | 676.346                            | 2.468.449        | 67.313                           | 3.248.491        |
| Other                 | -                                  | 12.237           | 22                               | 12.920           |
| <b>Total</b>          | <b>897.581</b>                     | <b>2.608.077</b> | <b>294.916</b>                   | <b>3.404.357</b> |

(\*) As of 31 December 2014, the precious metal balances are amounting to TL 12.237 (31 December 2013 TL 12.920).

2. Information related to the account of the CBRT:

|                             | Current Period<br>31 December 2014 |                  | Prior Period<br>31 December 2013 |                  |
|-----------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                             | TL                                 | FC               | TL                               | FC               |
| Unrestricted Demand Deposit | 676.346                            | 10               | 67.313                           | -                |
| Unrestricted Time Deposits  | -                                  | -                | -                                | -                |
| Restricted Time Deposits    | -                                  | -                | -                                | -                |
| Reserve Requirements        | -                                  | 2.468.439        | -                                | 3.248.491        |
| <b>Total</b>                | <b>676.346</b>                     | <b>2.468.449</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 gold currency liabilities.

As of 31 December 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%).

As of November 2014, based on press announcement of CBRT no. 2014/72 dated 21 October 2014 interest is paid for TL reserve deposits. As of liabilities record dated 13 February 2015, Banks are required to keep a deposit at the CBRT between 6% and 18% for USD and/or Euro and standard gold in accordance with the structure of deposits and liabilities off-deposit.

As of 1 February 2015, based on press announcement of CBRT no. 2014/05 dated 23 January 2015 Banks pay 0,2% commission per year for their Euro accounts in blocked reserve deposits and deposits on 2 days notification at the CBRT.

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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:

The Group has financial assets at fair value through profit or loss given as collateral/blocked amounting to TL 38.181 (31 December 2013: TL 35.081) as of 31 December 2014.

The Group has financial assets at fair value through profit or loss subject to repurchase agreement amounting TL 269.808 as of 31 December 2014 (31 December 2013: TL 392.839).

As of 31 December 2014, the Group has financial assets at fair value through profit or loss in unrestricted account amounting to TL 85.342 TL (31 December 2013: TL 143.954).

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

|                      | Current Period<br>31 December 2014 |                | Prior Period<br>31 December 2013 |                  |
|----------------------|------------------------------------|----------------|----------------------------------|------------------|
|                      | TL                                 | FC             | TL                               | FC               |
| Forward Transactions | 12.599                             | 36.524         | 6.610                            | 194.630          |
| Swap Transactions    | 450.998                            | 101.905        | 60.440                           | 1.037.613        |
| Futures Transactions | -                                  | -              | -                                | 16               |
| Options              | -                                  | 16.256         | -                                | 107.653          |
| Other                | -                                  | -              | -                                | -                |
| <b>Total</b>         | <b>463.597</b>                     | <b>154.685</b> | <b>67.050</b>                    | <b>1.339.912</b> |

c. Information on banks:

1. Information on banks and other financial institutions:

|                                  | Current Period<br>31 December 2014 |                | Prior Period<br>31 December 2013 |                  |
|----------------------------------|------------------------------------|----------------|----------------------------------|------------------|
|                                  | TL                                 | FC             | TL                               | FC               |
| <b>Banks</b>                     | <b>1.014.834</b>                   | <b>858.492</b> | <b>511.128</b>                   | <b>1.155.361</b> |
| Domestic                         | 930.085                            | 466.957        | 470.264                          | 1.035.814        |
| Foreign                          | 84.749                             | 391.535        | 40.864                           | 119.547          |
| Foreign Head Office and Branches | -                                  | -              | -                                | -                |
| <b>Total</b>                     | <b>1.014.834</b>                   | <b>858.492</b> | <b>511.128</b>                   | <b>1.155.361</b> |

2. Information on foreign banks account:

|                           | Unrestricted Amount                |                                  | Restricted Amount                  |                                    |
|---------------------------|------------------------------------|----------------------------------|------------------------------------|------------------------------------|
|                           | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 | Current Period<br>31 December 2014 | Current Period<br>31 December 2013 |
| European Union Countries  | 7.163                              | 22.865                           | -                                  | -                                  |
| USA, Canada               | 330.295                            | 36.912                           | -                                  | -                                  |
| OECD Countries (*)        | 1.371                              | 392                              | -                                  | -                                  |
| Off-Shore Banking Regions | 1.144                              | 331                              | -                                  | -                                  |
| Other                     | 260                                | 560                              | 136.051                            | 99.351                             |
| <b>Total</b>              | <b>340.233</b>                     | <b>61.060</b>                    | <b>136.051</b>                     | <b>99.351</b>                      |

(\*) OECD countries other than EU countries, USA and Canada

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

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

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

As of 31 December 2014, the Group has financial assets available for sale given as collateral/blocked amount to TL 392.104 (31 December 2013: TL 501.618).

As of 31 December 2014, the Group has financial assets available for sale amounting to TL 125.789 subject to repurchase agreement (31 December 2013: 1.659.680).

As of 31 December 2014, the Group has financial assets available for sale in unrestricted account amounting to TL 12.516 (31 December 2013: TL 88.033).

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

|                                 | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|---------------------------------|------------------------------------|----------------------------------|
| <b>Debt Securities</b>          | 527.324                            | 2.268.948                        |
| Quoted to Stock Exchange        | 527.324                            | 2.268.948                        |
| Not Quoted                      | -                                  | -                                |
| <b>Share Certificate</b>        | 4.385                              | 4.225                            |
| Quoted to Stock Exchange        | -                                  | -                                |
| Not Quoted (*)                  | 4.385                              | 4.225                            |
| <b>Impairment Provision (-)</b> | 1.300                              | 23.842                           |
| <b>Total</b>                    | 530.409                            | 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<br>31 December 2014 |          | Prior Period<br>31 December 2013 |          |
|---|------------------------------------|----------|----------------------------------|----------|
|   | Cash                               | Non-cash | Cash                             | Non-cash |
| <b>Direct Loans Granted to Shareholders</b>   | 85                                 | 171.562  | 2.532                            | 199.765  |
| Corporate Shareholders                        | 85                                 | 171.562  | 2.532                            | 199.765  |
| Real Person Shareholders                      | -                                  | -        | -                                | -        |
| <b>Indirect Loans Granted to Shareholders</b> | 3.879                              | 415.922  | 11.984                           | 460.588  |
| <b>Loans Granted to Employees</b>             | 26.518                             | -        | 31.931                           | -        |
| <b>Total</b>                                  | 30.482                             | 587.484  | 46.447                           | 660.353  |

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

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

|                                   | Standard Loans and Other Receivables |                          | Loans and Other Receivables under Close Monitoring |                             |                          |          |
|-----------------------------------|--------------------------------------|--------------------------|--|-----------------------------|--------------------------|----------|
|                                   | Loans and Other Receivables          | Agreement Terms Modified | Other  | Loans and Other Receivables | Agreement Terms Modified |          |
|                                   |                                      |                          |  | Payment Plan Extensions     | Other                    |          |
| Non-specialised Loans             | 17.825.131                           | 667.654                  | -  | 439.605                     | 104.363                  | -        |
| Commercial Loans                  | 7.664.731                            | 469.757                  | -  | 182.180                     | 78.727                   | -        |
| Export Loans                      | 1.030.038                            | 109.674                  | -  | 15.133                      | -                        | -        |
| Import Loans                      | -                                    | -                        | -  | -                           | -                        | -        |
| Loans Granted to Financial Sector | 69.194                               | -                        | -  | -                           | -                        | -        |
| Consumer Loans                    | 4.738.797                            | 55.693                   | -  | 93.877                      | 19.422                   | -        |
| Credit Cards                      | 3.370.103                            | -                        | -  | 119.009                     | -                        | -        |
| Other (*)                         | 952.268                              | 32.530                   | -  | 29.406                      | 6.214                    | -        |
| Specialised Loans                 | -                                    | -                        | -  | -                           | -                        | -        |
| Other Receivables                 | -                                    | -                        | -  | -                           | -                        | -        |
| <b>Non-specialized Loans</b>      | <b>17.825.131</b>                    | <b>667.654</b>           | <b>-</b>   | <b>439.605</b>              | <b>104.363</b>           | <b>-</b> |

(\*) Includes the factoring receivables amounting to TL 178.305

| 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             | 661.594  |
| Extended by 3, 4 or 5 times                         | 6.020                                | 3.763  |
| Extended by more than 5 times                       | 40                                   | -  |

| Extended period of time | Standard Loans and Other Receivables | Loans and Other Receivables under Close Monitoring |
|-------------------------|--------------------------------------|--|
|                         | 0 – 6 Months                         | 36.835   |
| 6 – 12 Months           | 352.055                              | 5.305  |
| 1 – 2 Years             | 159.932                              | 65.852   |
| 2 – 5 Years             | 104.920                              | 29.842   |
| 5 years or more         | 13.912                               | 2.001  |

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3. Breakdown of loans according to their maturities:

|   | Standard Loans and Other<br>Receivables |                                | Loans and Other Receivables under<br>Close Monitoring |                                |
|---|---|--------------------------------|---|--------------------------------|
|   | Loans and<br>Other<br>Receivables       | Restructured or<br>Rescheduled | Loans and<br>Other<br>Receivables                     | Restructured or<br>Rescheduled |
| <b>Short-Term Loans and Other<br/>Receivables</b>           | <b>8.949.441</b>                        | <b>388.890</b>                 | <b>230.743</b>  | <b>6.668</b>                   |
| Non-Specialized Loans (*)                                   | 8.949.441                               | 388.890                        | 230.743   | 6.668                          |
| Specialized Loans   | -                                       | -                              | -   | -                              |
| Other Receivables   | -                                       | -                              | -   | -                              |
| <b>Medium and Long-Term Loans<br/>and Other Receivables</b> | <b>8.875.690</b>                        | <b>278.764</b>                 | <b>208.862</b>  | <b>97.695</b>                  |
| Non-Specialized Loans                                       | 8.875.690                               | 278.764                        | 208.862   | 97.695                         |
| Specialized Loans   | -                                       | -                              | -   | -                              |
| Other Receivables   | -                                       | -                              | -   | -                              |

(\*) Includes the factoring receivables amounting to TL 178.305.

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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>100.965</b>   | <b>4.473.152</b>     | <b>4.574.117</b> |
| Mortgage Loans                           | 517              | 1.473.013            | 1.473.530        |
| Automotive Loans                         | 28               | 6.158                | 6.186            |
| Consumer Loans                           | 100.420          | 2.993.981            | 3.094.401        |
| Other                                    | -                | -                    | -                |
| <b>Consumer Loans- Indexed to FC</b>     | -                | <b>7.178</b>         | <b>7.178</b>     |
| Mortgage Loans                           | -                | 7.119                | 7.119            |
| Automotive Loans                         | -                | -                    | -                |
| Consumer Loans                           | -                | 59                   | 59               |
| Other                                    | -                | -                    | -                |
| <b>Consumer Loans-FC</b>                 | -                | -                    | -                |
| Mortgage Loans                           | -                | -                    | -                |
| Automotive Loans                         | -                | -                    | -                |
| Consumer Loans                           | -                | -                    | -                |
| Other                                    | -                | -                    | -                |
| <b>Individual Credit Cards-TL</b>        | <b>3.408.185</b> | <b>45.644</b>        | <b>3.453.829</b> |
| Installment                              | 1.214.767        | 45.644               | 1.260.411        |
| None Installment                         | 2.193.418        | -                    | 2.193.418        |
| <b>Individual Credit Cards-FC</b>        | <b>7.385</b>     | -                    | <b>7.385</b>     |
| Installment                              | -                | -                    | -                |
| None Instalment                          | 7.385            | -                    | 7.385            |
| <b>Personnel Loans-TL</b>                | <b>2.082</b>     | <b>16.528</b>        | <b>18.610</b>    |
| Mortgage Loans                           | -                | 19                   | 19               |
| Automotive Loans                         | -                | -                    | -                |
| Consumer Loans                           | 1.816            | 16.509               | 18.325           |
| Other                                    | 266              | -                    | 266              |
| <b>Personnel Loans- Indexed to FC</b>    | -                | -                    | -                |
| Mortgage Loans                           | -                | -                    | -                |
| Automotive Loans                         | -                | -                    | -                |
| Consumer Loans                           | -                | -                    | -                |
| Other                                    | -                | -                    | -                |
| <b>Personnel Loans-FC</b>                | -                | -                    | -                |
| Mortgage Loans                           | -                | -                    | -                |
| Automotive Loans                         | -                | -                    | -                |
| Consumer Loans                           | -                | -                    | -                |
| Other                                    | -                | -                    | -                |
| <b>Personnel Credit Cards-TL</b>         | <b>7.854</b>     | -                    | <b>7.854</b>     |
| Installment                              | 3.295            | -                    | 3.295            |
| None Installment                         | 4.559            | -                    | 4.559            |
| <b>Personnel Credit Cards-FC</b>         | <b>54</b>        | -                    | <b>54</b>        |
| With Instalment                          | -                | -                    | -                |
| Without Instalment                       | 54               | -                    | 54               |
| <b>Overdraft Account-TL (Individual)</b> | <b>307.884</b>   | -                    | <b>307.884</b>   |
| <b>Overdraft Account-FC (Individual)</b> | -                | -                    | -                |
| <b>Total Consumer Loans</b>              | <b>3.834.409</b> | <b>4.542.502</b>     | <b>8.376.911</b> |



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

|  | Short-term     | Medium and Long-term | Total            |
|--|----------------|----------------------|------------------|
| <b>Commercial Installment Loans-TL</b>             | <b>57.786</b>  | <b>578.815</b>       | <b>636.601</b>   |
| Mortgage Loans                                     | -              | 4.485                | 4.485            |
| Automotive Loans                                   | 166            | 6.906                | 7.072            |
| Consumer Loans                                     | 57.620         | 567.424              | 625.044          |
| Other  | -              | -                    | -                |
| <b>Commercial Installment Loans- Indexed to FC</b> | <b>27.702</b>  | <b>333.844</b>       | <b>361.546</b>   |
| Mortgage Loans                                     | -              | 13.721               | 13.721           |
| Automotive Loans                                   | 281            | 8.998                | 9.279            |
| Consumer Loans                                     | 27.421         | 311.125              | 338.546          |
| Other  | -              | -                    | -                |
| <b>Commercial Installment Loans-FC</b>             | <b>-</b>       | <b>-</b>             | <b>-</b>         |
| Mortgage Loans                                     | -              | -                    | -                |
| Automotive loans                                   | -              | -                    | -                |
| Consumer Loans                                     | -              | -                    | -                |
| Other  | -              | -                    | -                |
| <b>Corporate Credit Cards-TL</b>                   | <b>19.368</b>  | <b>7</b>             | <b>19.375</b>    |
| Installment  | 5.598          | 7                    | 5.605            |
| None Installment                                   | 13.770         | -                    | 13.770           |
| <b>Corporate Credit Cards-FC</b>                   | <b>615</b>     | <b>-</b>             | <b>615</b>       |
| With Installment                                   | -              | -                    | -                |
| None Installment                                   | 615            | -                    | 615              |
| <b>Overdraft Account-TL (Commercial)</b>           | <b>62.844</b>  | <b>-</b>             | <b>62.844</b>    |
| <b>Overdraft Account-FC (Commercial)</b>           | <b>-</b>       | <b>-</b>             | <b>-</b>         |
| <b>Total</b>                                       | <b>168.315</b> | <b>912.666</b>       | <b>1.080.981</b> |

6. Loans according to types of borrowers (\*):

|              | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|--------------|------------------------------------|----------------------------------|
| Public       | -                                  | -                                |
| Private      | 19.036.753                         | 18.804.243                       |
| <b>Total</b> | <b>19.036.753</b>                  | <b>18.804.243</b>                |

(\*) Includes the factoring receivables amounting to TL 178.305 (31 December 2013: TL 55.099).

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

|                  | Current<br>Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|------------------|---------------------------------------|----------------------------------|
| Domestic Loans   | 18.647.875                            | 18.408.727                       |
| Foreign Loans    | 388.878                               | 395.516                          |
| <b>Total (*)</b> | <b>19.036.753</b>                     | <b>18.804.243</b>                |

(\*) Includes the factoring receivables amounting to TL 178.305 (31 December 2013: TL 55.099).

8. Loans granted to investments in associates and subsidiaries:

|   | Current<br>Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|---|---------------------------------------|----------------------------------|
| Direct Loans Granted to Associates and Subsidiaries   | -                                     | 28                               |
| Indirect Loans Granted to Associates and Subsidiaries | -                                     | -                                |
| <b>Total</b>  | <b>-</b>                              | <b>28</b>                        |

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9. Specific provisions for loans:

|  | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|--|------------------------------------|----------------------------------|
| Loans and Receivables with Limited Collectability  | 41.785                             | 26.964                           |
| Loans and Receivables with Doubtful Collectability | 143.213                            | 110.370                          |
| Uncollectible Loans and Receivables                | 578.009                            | 717.194                          |
| <b>Total</b>                                       | <b>763.007</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<br>Loans and Other<br>Receivables with<br>Limited<br>Collectability | IV. Group<br>Loans and Other<br>Receivables with<br>Doubtful<br>Collectability | V. Group<br>Uncollectible<br>Loans<br>and Other<br>Receivables |
|--|--|--|--|
| <b>Current Period: 31 December 2014</b>    | <b>1.732</b>   | <b>1.863</b>   | <b>16.610</b>  |
| (Gross Amounts Before Specific Provisions) |  |  |  |
| Restructured Loans and Other Receivables   | 1.732  | 1.863  | 16.610   |
| 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<br>Loans and Other<br>Receivables with<br>Limited<br>Collectability | IV. Group<br>Loans and Other<br>Receivables with<br>Doubtful<br>Collectability | V. Group<br>Uncollectible<br>Loans and<br>Other<br>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 (+)   | 780.450  | 3.548  | 34.602   |
| Transfers from Other Categories of Non-Performing Loans (+)     | 2.603  | 624.862  | 492.048  |
| Transfers to Other Categories of<br>Non-Performing Loans (-)    | 627.040  | 488.008  | 4.464  |
| Collections (-)   | 45.881   | 83.973   | 85.148   |
| Write-offs (-)(*)   | -  | -  | 569.376  |
| Corporate and Commercial Loans                                  | -  | -  | 85.161   |
| Retail Loans  | -  | -  | 139.871  |
| Credit Cards  | -  | -  | 344.344  |
| Other   | -  | -  | -  |
| <b>Balance at the End of the Period: 31 December 2014</b>       | <b>261.417</b>   | <b>311.020</b>   | <b>668.183</b>   |
| Specific Provisions (-)   | 41.785   | 143.213  | 578.009  |
| <b>Net Balance on Balance Sheet</b>                             | <b>219.632</b>   | <b>167.807</b>   | <b>90.174</b>  |

(\*) Includes TL 484.215 Individual, TL 85.161 Corporate and Commercial loans under follow up which is sold by the Parent Bank

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

|   | III. Group<br>Loans and Other<br>Receivables with<br>Limited Collectability | IV. Group<br>Loans and Other<br>Receivables with<br>Doubtful<br>Collectability | V. Group<br>Uncollectible<br>Loans and<br>Other<br>Receivables |
|---|---|--|--|
| <b>Current Period: 31 December 2014</b> |   |  |  |
| Balance at the End of the Period        | -   | -  | 423  |
| Specific Provisions (-)                 | -   | -  | 130  |
| <b>Net Balance on Balance Sheet</b>     | -   | -  | <b>293</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<br>Loans and Other<br>Receivables with<br>Limited<br>Collectability | IV. Group<br>Loans and Other<br>Receivables with<br>Doubtful<br>Collectability | V. Group<br>Uncollectible<br>Loans and<br>Other<br>Receivables |
|--|--|--|--|
| <b>Current Period (Net): 31 December 2014</b>                |  |  |  |
| Loans granted to corporate entities and real persons (Gross) | 261.417  | 311.020  | 668.183  |
| Specific Provisions Amount (-)                               | 41.785   | 143.213  | 578.009  |
| Loans granted to corporate entities and real persons (Net)   | 219.632  | 167.807  | 90.174   |
| Banks (Gross)  | -  | -  | -  |
| Specific Provisions Amount (-)                               | -  | -  | -  |
| Banks (Net)  | -  | -  | -  |
| Other Loans and Advances (Gross)                             | -  | -  | -  |
| Specific Provisions Amount (-)                               | -  | -  | -  |
| Other Loans and Advances (Net)                               | -  | -  | -  |
| <b>Prior Period (Net): 31 December 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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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 31 December 2014 and 31 December 2013, the Group has no held to maturity investments as collateral/blocked and subject to repurchase agreements.

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

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

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

As of 31 December 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 31 December 2014 and 31 December 2013.

h. Information on subsidiaries (Net):

1. Information on capital adequacy of major subsidiaries:

The Bank does not have any capital needs due to its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio. Information on capital adequacy of major subsidiaries is presented below.

|   | HSBC Yatırım ve Menkul Değerler A.Ş. |
|---|--------------------------------------|
| Core Capital                                      | 86.147                               |
| Paid-in Capital                                   | 7.000                                |
| Share Premium                                     | -                                    |
| Reserves  | 40.786                               |
| Current Period's Profit and Prior Periods' Profit | 38.361                               |
| Current Period's Losses and Prior Periods' Losses | -                                    |
| Leasehold Improvements on Operational Leases (-)  | -                                    |
| Intangible Assets (-)                             | -                                    |
| Supplementary Capital                             | -                                    |
| Deductions from Capital                           | -                                    |
| Net Available Equity                              | 86.147                               |

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2. Information on unconsolidated subsidiaries:

a) Unconsolidated subsidiaries:

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

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

|   | Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit/Loss | Prior Period Profit / Loss (**) | Fair Value |
|---|--------------|----------------------|--------------------|-----------------|---|----------------------------|---------------------------------|------------|
| 1 | 3.465        | 3.260                | 48                 | -               | -   | 1.351                      | 1.320                           | -          |
| 2 | 46           | 46                   | -                  | -               | -   | (11)                       | (19)                            | -          |

(\*) Prepared with audited financial statements as of 31 December 2014.

(\*\*) Prior period amount is the amount as of 31 December 2013.

3. Information on the consolidated subsidiaries:

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

a) Consolidated subsidiaries:

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

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

|   | Total Assets | Shareholders' Equity | Total Fixed Assets | Interest Income | Income from Marketable Securities Portfolio | Current Period Profit / Loss | Prior Period Profit / Loss (**) | Fair Value |
|---|--------------|----------------------|--------------------|-----------------|---|------------------------------|---------------------------------|------------|
| 1 | 108.473      | 86.147               | 1.615              | 4.164           | 3.432                                       | 23.374                       | 17.790                          | -          |

(\*) Prepared with audited financial statements as of 31 December 2014.

(\*\*) Prior period amount is the amount as of 31 December 2013.

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

4. Movement schedule of the consolidated subsidiaries:

|   | Current Period<br>31 December 2014 | Prior Period<br>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                            |

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

| Subsidiaries                 | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|------------------------------|------------------------------------|----------------------------------|
| Banks                        | -                                  | -                                |
| Insurance Companies          | -                                  | -                                |
| Factoring Companies          | -                                  | -                                |
| Leasing Companies            | -                                  | -                                |
| Finance Companies            | -                                  | -                                |
| Other Financial Subsidiaries | 34.753                             | 34.753                           |

6. Subsidiaries quoted on a stock exchange:

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

i. Information on jointly controlled entities:

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

j. Information on leasing receivables (Net):

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

k. Explanations on hedging derivative financial assets:

|                              | Current Period<br>31 December 2014 |          | Prior Period<br>31 December 2013 |          |
|------------------------------|------------------------------------|----------|----------------------------------|----------|
|                              | TL                                 | FC       | TL                               | FC       |
| Fair Value Hedge             | -                                  | -        | -                                | -        |
| Cash Flow Hedge              | 36.299                             | -        | -                                | -        |
| Foreign Net Investment Hedge | -                                  | -        | -                                | -        |
| <b>Total</b>                 | <b>36.299</b>                      | <b>-</b> | <b>-</b>                         | <b>-</b> |

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l. Explanations on property and equipment:

|   | Land and<br>Buildings | Vehicles  | Other<br>Tangible<br>Fixed Assets | Total          |
|---|-----------------------|-----------|-----------------------------------|----------------|
| <b>Prior Period End:</b>                    |                       |           |                                   |                |
| Cost  | 22.801                | 681       | 737.592                           | 761.074        |
| Accumulated Depreciation and Impairment (-) | 13.217                | 615       | 617.161                           | 630.993        |
| <b>Net book value</b>                       | <b>9.584</b>          | <b>66</b> | <b>120.431</b>                    | <b>130.081</b> |
| <b>Current Period End:</b>                  |                       |           |                                   |                |
| Net Book Value at the Beginning             | 9.584                 | 66        | 120.431                           | 130.081        |
| Additions                                   | -                     | -         | 28.262                            | 28.262         |
| Disposals (-) (net)                         | -                     | -         | 7.483                             | 7.483          |
| Depreciation (-)                            | 329                   | 28        | 35.347                            | 35.704         |
| Cost at Period End                          | 22.801                | 681       | 758.371                           | 781.853        |
| Accumulated Depreciation at Period End (-)  | 13.546                | 643       | 652.508                           | 666.697        |
| <b>Closing net book value</b>               | <b>9.255</b>          | <b>38</b> | <b>105.862</b>                    | <b>115.155</b> |

m. Explanations on intangible assets:

1. Gross book value and accumulated depreciation amounts at the beginning and ending of the period:

|                             | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|-----------------------------|------------------------------------|----------------------------------|
| Gross book value            | 302.756                            | 274.505                          |
| Accumulated depreciation(-) | 183.488                            | 167.119                          |
| <b>Net Book Value</b>       | <b>119.268</b>                     | <b>107.386</b>                   |

2. Table of movements between beginning of the period and ending of the period:

|                               | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|-------------------------------|------------------------------------|----------------------------------|
| Opening balance               | 107.386                            | 92.561                           |
| Additions                     | 26.594                             | 21.951                           |
| Disposals (-) (net)           | -                                  | -                                |
| Depreciation (-)              | 14.712                             | 7.126                            |
| <b>Closing Net Book Value</b> | <b>119.268</b>                     | <b>107.386</b>                   |

n. Explanations on the investment properties:

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

o. Explanations on deferred tax asset:

As of 31 December 2014 deferred tax asset of the Group is TL 46.980 (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.

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

As of 31 December 2014 property and equipment held for sale of the Group is TL 3.179 (31 December 2013: TL 4.394).

| <b>Prior Period End:</b>                   | <b>Current Period<br/>31 December 2014</b> | <b>Prior Period<br/>31 December 2013</b> |
|--|--|--|
| Cost                                       | 4.629                                      | 5.294                                    |
| Accumulated Depreciation (-)               | 235  | 165                                      |
| <b>Net Book Value</b>                      | <b>4.394</b>                               | <b>5.129</b>                             |
| <b>Current Period End</b>                  |  |  |
| Net Book Value at the Beginning            | 4.394                                      | 5.129                                    |
| Additions                                  | 1.149                                      | 5.147                                    |
| Disposals (-) (net)                        | 2.457                                      | 5.812                                    |
| Depreciation (-)                           | 60   | 109                                      |
| Cost at Period End                         | 3.321                                      | 4.629                                    |
| Accumulated Depreciation at Period End (-) | 142  | 235                                      |
| <b>Closing Net Book Value</b>              | <b>3.179</b>                               | <b>4.394</b>                             |

r. Information on other assets:

1. There is 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 106.066 (31 December 2013 TL 120.311), the prepaid expenses amounting to TL 61.563 (31 December 2013: TL 63.194), other rediscount income amounting to TL 18.420 (31 December 2013: TL 21.729), miscellaneous receivables amounting to TL 7.661 (31 December 2013: TL 223.108), and other assets amounting to TL 4.974 (31 December 2013: TL 4.221).

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

As of 31 December 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

1. Information on maturity structure of the deposits:

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

1(i). Current Period - 31 December 2014:

|                             | Demand           | With 7 Days<br>Maturity | Up to 1<br>Month | 1 - 3<br>Months  | 3 - 6<br>Months  | 6 Months<br>-1 Year | 1 Year<br>and Over | Cumulative<br>Deposit | Total             |
|-----------------------------|------------------|-------------------------|------------------|------------------|------------------|---------------------|--------------------|-----------------------|-------------------|
| Saving Deposits             | 567.123          | -                       | 3.245.981        | 3.873.593        | 521.182          | 170.293             | 76.880             | -                     | 8.455.052         |
| Foreign Currency Deposits   | 1.778.485        | -                       | 2.071.547        | 3.489.354        | 184.056          | 96.633              | 121.576            | -                     | 7.741.651         |
| Residents in Turkey         | 1.458.710        | -                       | 1.906.643        | 2.945.463        | 122.037          | 51.287              | 56.454             | -                     | 6.540.594         |
| Residents Abroad            | 319.775          | -                       | 164.904          | 543.891          | 62.019           | 45.346              | 65.122             | -                     | 1.201.057         |
| Public Sector Deposits      | 100.037          | -                       | -                | -                | -                | -                   | -                  | -                     | 100.037           |
| Commercial Deposits         | 504.838          | -                       | 1.043.570        | 50.111           | 357.059          | 14.054              | 3.518              | -                     | 1.973.150         |
| Other Institutions Deposits | 13.097           | -                       | 4.900            | 11.881           | 120              | 69                  | 74                 | -                     | 30.141            |
| Precious Metal Deposit      | 241.454          | -                       | -                | 40.698           | 2.614            | 2.634               | -                  | -                     | 287.400           |
| Bank Deposits               | 47.713           | -                       | 388.599          | -                | -                | -                   | -                  | -                     | 436.312           |
| The CBRT                    | -                | -                       | -                | -                | -                | -                   | -                  | -                     | -                 |
| Domestic Banks              | 2                | -                       | 373.690          | -                | -                | -                   | -                  | -                     | 373.692           |
| Foreign Banks               | 47.711           | -                       | 14.909           | -                | -                | -                   | -                  | -                     | 62.620            |
| Participation Banks         | -                | -                       | -                | -                | -                | -                   | -                  | -                     | -                 |
| Other                       | -                | -                       | -                | -                | -                | -                   | -                  | -                     | -                 |
| <b>Total</b>                | <b>3.252.747</b> | <b>-</b>                | <b>6.754.597</b> | <b>7.465.637</b> | <b>1.065.031</b> | <b>283.683</b>      | <b>202.048</b>     | <b>-</b>              | <b>19.023.743</b> |

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

|                             | Demand           | With 7 Days<br>Maturity | Up to 1<br>Month | 1 - 3<br>Months  | 3 - 6<br>Months | 6 Months<br>-1 Year | 1 Year<br>and Over | Cumulative<br>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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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<br>31 December 2014 | Prior Period<br>31 December 2013 | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
| Saving Deposits   | 4.472.125                          | 3.906.478                        | 3.786.609                          | 2.958.546                        |
| Foreign Currency Saving Deposits  | 1.606.622                          | 1.308.845                        | 3.571.243                          | 2.613.550                        |
| Other Deposits in the Form of Saving Deposits                                     | 25.023                             | 87.189                           | 73.422                             | 270.009                          |
| Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage          | 212.923                            | 207.860                          | 254.987                            | 225.306                          |
| Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage | -                                  | -                                | -                                  | -                                |
| <b>Total</b>  | <b>6.316.693</b>                   | <b>5.510.372</b>                 | <b>7.686.261</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<br>31 December 2013 | Prior Period<br>31 December 2012 |
|---|------------------------------------|----------------------------------|
| Foreign Branches' Deposits and other accounts   | 254.987                            | 225.306                          |
| Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their worship   | -                                  | -                                |
| Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their worship | 8.193                              | 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<br>31 December 2014 |                | Prior Period<br>31 December 2013 |                  |
|----------------------|------------------------------------|----------------|----------------------------------|------------------|
|                      | TL                                 | FC             | TL                               | FC               |
| Forward Transactions | 27.810                             | 52.347         | -                                | 110.518          |
| Swap Transactions    | 51.005                             | 355.624        | 15.903                           | 1.073.901        |
| Future Transactions  | -                                  | -              | -                                | 20               |
| Options              | -                                  | 16.854         | -                                | 108.034          |
| Other                | -                                  | -              | -                                | -                |
| <b>Total</b>         | <b>78.815</b>                      | <b>424.825</b> | <b>15.903</b>                    | <b>1.292.473</b> |

c. Information on repurchase agreements:

As of 31 December 2014, the Group has repurchase agreements amounting to TL 395.596 (31 December 2013: TL 2.025.576).

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d. Information on funds borrowed:

1. Information on banks and other financial institutions:

|  | Current Period<br>31 December 2014 |                  | Prior Period<br>31 December 2013 |                  |
|--|------------------------------------|------------------|----------------------------------|------------------|
|  | TL                                 | FC               | TL                               | FC               |
| Borrowings from the CBRT                   | -                                  | -                | -                                | -                |
| From Domestic Bank and Institutions        | 7.570                              | 279              | 11.950                           | 2.160            |
| From Foreign Banks, Institutions and Funds | 2.505.264                          | 5.695.853        | 2.867.727                        | 6.773.077        |
| <b>Total</b>                               | <b>2.512.834</b>                   | <b>5.696.132</b> | <b>2.879.677</b>                 | <b>6.775.237</b> |

2. Information on maturity structure of funds borrowed:

|                      | Current Period<br>31 December 2014 |                  | Prior Period<br>31 December 2013 |                  |
|----------------------|------------------------------------|------------------|----------------------------------|------------------|
|                      | TL                                 | FC               | TL                               | FC               |
| Short-term           | 1.159.873                          | 2.806.927        | 1.051.729                        | 4.033.348        |
| Medium and Long-term | 1.352.961                          | 2.889.205        | 1.827.948                        | 2.741.889        |
| <b>Total</b>         | <b>2.512.834</b>                   | <b>5.696.132</b> | <b>2.879.677</b>                 | <b>6.775.237</b> |

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

The Group has diversified its funding resources with customer deposits and borrowing from foreign markets.

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<br>31 December 2014 | Prior Period<br>31 December 2013 |
|-------------------|------------------------------------|----------------------------------|
| Less Than 1 Year  | 65.442                             | 68.694                           |
| Between 1-4 Years | 79.837                             | 131.350                          |
| More Than 4 Years | 22.166                             | 14.415                           |
| <b>Total</b>      | <b>167.445</b>                     | <b>214.459</b>                   |

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g. Information on derivative financial liabilities for hedging purposes:

|                              | Current Period<br>31 December 2014 |          | Prior Period<br>31 December 2013 |          |
|------------------------------|------------------------------------|----------|----------------------------------|----------|
|                              | TL                                 | FC       | TL                               | FC       |
| Fair Value Hedge             | -                                  | -        | -                                | -        |
| Cash Flow Hedge              | 8.615                              | -        | -                                | -        |
| Foreign Net Investment Hedge | -                                  | -        | -                                | -        |
| <b>Total</b>                 | <b>8.615</b>                       | <b>-</b> | <b>-</b>                         | <b>-</b> |

h. Information on provisions:

1. Information on general provisions:

|  | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|--|------------------------------------|----------------------------------|
| <b>General Provisions</b>  | <b>362.405</b>                     | <b>347.299</b>                   |
| Provisions for First Group Loans and Receivables                             | 266.320                            | 258.374                          |
| - Additional Provision for Loans and Receivables with<br>Extended Maturities | 18.644                             | 27.798                           |
| Provisions for Second Group Loans and Receivables                            | 21.173                             | 18.616                           |
| - Additional Provision for Loans and Receivables with<br>Extended Maturities | 3.084                              | 2.581                            |
| Provisions for Non-Cash Loans  | 34.833                             | 37.958                           |
| Other  | 18.351                             | 1.972                            |

2. Information on provisions related to employee benefits:

Provision for retirement pay is amounting to TL 29.113 (31 December 2013: TL 26.174) and provision for accumulated leave is amounting to TL 5.686 (31 December 2013: TL 5.518) as of 31 December 2014.

According to Turkish Labor Law, the Parent Bank and its subsidiaries that operate in Turkey are obligated to pay severance for employees who completed one year of service, drafted or die and whose employment reasons dismissed or retired.

Compensation payable is one month's salary for each year and the amount of TL 3.438,22 (full TL amount) (31 December 2013: TL 3.254,44 TL (full TL amount)) is limited. Severance pay liability is not subject to any statutory funding and there is no funding requirements.

Provision of severance payment has been reserved by calculating the present value of Group's contingent liabilities in case of retirement of employees. TAS 19 is required to use actuarial valuation methods in order to calculate the liabilities.

The fundamental assumption, for each year of service, the retirement pay ceiling will increase in line with inflation each year. Thus, applied discount rate represents real rate which has been purged from expected inflation effects. Bank's retirement pay liability is calculated from TL 3.541,37 (full TL amount) (1 January 2014: TL 3.438,22 (full TL amount)) that have been effective as of 1 January 2015, because retirement pay ceiling is determined every six months.

|   | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|---|------------------------------------|----------------------------------|
| <b>Balance at the end of the Prior Period</b>   | <b>26.174</b>                      | <b>21.746</b>                    |
| Provisions during the year                      | 12.311                             | 13.376                           |
| Paid during the year (-)                        | 9.372                              | 8.948                            |
| <b>Balance at the End of the Current Period</b> | <b>29.113</b>                      | <b>26.174</b>                    |

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

As of 31 December 2014, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 8.838 (31 December 2013: TL 42.839), is offset with the balance of foreign currency indexed loans.

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

As of 31 December 2014, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 406 (31 December 2013: TL 3.126).

5. Information on other provisions:

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

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

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

Provision for accumulated credit card bonus amounting to TL 10.325 (31 December 2013: TL 16.408), provisions for checks under follow-up amounting to TL 25.186 (31 December 2013: TL 29.239), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 406 (31 December 2013: TL 3.126), provisions for refunds related to application of Arbitration Committee for Consumer Problems amounting to TL 13.041 (31 December 2013:None), provisions for refunds related to charges of loan proceed TL 4.136 (31 December 2013:None) and other provision amounting to TL 9.506 (31 December 2013: TL 29.415) are classified under other provisions.

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<br>31 December 2014 | Prior Period<br>31 December 2013 |
|--|------------------------------------|----------------------------------|
| Corporate Taxes Payable                  | 997                                | 252                              |
| Taxation on Marketable Securities        | 14.879                             | 12.354                           |
| Taxation on Real Estates Income          | 1.324                              | 1.115                            |
| Banking Insurance Transaction Tax (BITT) | 13.739                             | 12.628                           |
| Foreign Exchange Transaction Tax         | 9                                  | 14                               |
| Value Added Tax Payable                  | 1.521                              | 1.130                            |
| Other (*)                                | 10.736                             | 10.499                           |
| <b>Total</b>                             | <b>43.205</b>                      | <b>37.992</b>                    |

(\*) Consists of payroll tax amounting to TL 8.846 (31 December 2013: TL 8.582), self-employed income tax amounting to TL 18 (31 December 2013: TL 8), stamp tax amounting to TL 275 (31 December 2013: TL 295) and other taxes amounting to TL 1.597 (31 December 2013: TL 1.614) as of 31 December 2014.

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

1(ii). Information on premium payables:

|  | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|--|------------------------------------|----------------------------------|
| Social Security Premiums – Employee Share                    | 3 466                              | 3 417                            |
| Social Security Premiums – Employer Share                    | 3 676                              | 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                      | 201                                | 225                              |
| Unemployment Insurance – Employer Share                      | 468                                | 454                              |
| Other  | -                                  | -                                |
| <b>Total</b>   | <b>7.811</b>                       | <b>7.745</b>                     |

2. Information on deferred tax liability:

As of 31 December 2014 the Group has no deferred tax legislation (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 31 December 2014 and 31 December 2013, the Group has no liabilities for property and equipment held for sale purpose and held from terminated 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:

As of 29 December 2011, the Bank has obtained a subordinated loan from HSBC Holdings Plc amounting to USD 275.000 (TL 641.575) with 10 years maturity and USD Libor + 5,25% interest rate in accordance with the permit from BRSA No.26895 dated 28 December 2011 and the decision taken in the Board of Directors No. 12969 dated 13 December 2011.

As of 28 December 2012, the Parent Bank has obtained a subordinated loan from HSBC Finance amounting to USD 39.000 (TL 90.987) with 10 years maturity and USD Libor + 4,15% interest rate and EUR 120.000 (TL 340.081) with 10 years maturity and EURO Libor + 3,87% interest rate in accordance with the permit from BRSA No.2134 dated 24 January 2013 and the decision taken in the Board of Directors No. 13044 dated 24 December 2012.

|                             | Current Period<br>31 December 2014 |                  | Prior Period<br>31 December 2013 |                  |
|-----------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                             | TL                                 | FC               | TL                               | FC               |
| Domestic Banks              | -                                  | -                | -                                | -                |
| Other Domestic Institutions | -                                  | -                | -                                | -                |
| Foreign Banks               | -                                  | 1.073.095        | -                                | 1 027.349        |
| Other Foreign Institutions  | -                                  | -                | -                                | -                |
| <b>Total</b>                | <b>-</b>                           | <b>1.073.095</b> | <b>-</b>                         | <b>1.027.349</b> |

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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<br>31 December 2014 | Prior Period<br>31 December 2013 |
|---------------------------|------------------------------------|----------------------------------|
| Common Stock Provision    | -                                  | -                                |
| Preferred Stock Provision | 652.290                            | 652.290                          |

According to the statement published by BRSA dated 28 April 2005, the Parent Bank has 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 as of 31 December 2014.

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.

|                           | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|---------------------------|------------------------------------|----------------------------------|
| Common Stock Provision    | -                                  | -                                |
| Preferred Stock Provision | 652.290                            | 652.290                          |

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:

Capital structure of the Parent Bank consisting of group "A" and "B" shares are held by foreign shareholders. Board of Directors are chosen among the candidates nominated by group "A" share 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<br>31 December 2014 |          | Prior Period<br>31 December 2013 |          |
|---|------------------------------------|----------|----------------------------------|----------|
|   | TL                                 | FC       | TL                               | FC       |
| From Investments in Associates,<br>Subsidiaries, and Joint Ventures | -                                  | -        | -                                | -        |
| Valuation Difference  | 7.336                              | -        | (27.513)                         | -        |
| Foreign Currency Difference   | -                                  | -        | -                                | -        |
| <b>Total</b>  | <b>7.336</b>                       | <b>-</b> | <b>(27.513)</b>                  | <b>-</b> |

9. Information on revaluation value increase fund:

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

10. Information on legal reserves:

|   | Current Period<br>31 December 2014 | Prior Period<br>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<br>31 December 2014 | Prior Period<br>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 minority shares:

The Group has no minority shares as of 31 December 2014 and 31 December 2013.

13. 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 UK.



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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 31 December 2014, the Group has irrevocable commitments amounting to TL 20.060.383 (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:**

The Group has letter of credit amounting to TL 1.259.499 (31 December 2013: TL 1.139.939), acceptances amounting to TL 751.520 (31 December 2013: TL 1.212.692) and commitments and contingencies due to letter of credit amounting to TL 686.323 (31 December 2013: TL 775.010) as of 31 December 2014. Also the Group has other commitments and contingencies amounting to TL 398.362 (31 December 2013: TL 518.130) as of 31 December 2014.

**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<br>31 December 2014 | Prior Period<br>31 December 2013 |
|--|------------------------------------|----------------------------------|
| <b>Non-Cash Given For Cash Loan Risks</b>    | -                                  | 3.383                            |
| With Original Maturity of One Year or Less   | -                                  | 3.383                            |
| With Original Maturity of More than One Year | -                                  | -                                |
| <b>Other Non-Cash Loans</b>                  | <b>3.065.704</b>                   | <b>3.642.388</b>                 |
| <b>Total</b>                                 | <b>3.065.704</b>                   | <b>3.645.771</b>                 |

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

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

|                                  | Current Period<br>31 December 2014 |               |                  |               | Prior Period<br>31 December 2013 |               |                  |               |
|----------------------------------|------------------------------------|---------------|------------------|---------------|----------------------------------|---------------|------------------|---------------|
|                                  | TL                                 | (%)           | FC               | (%)           | TL                               | (%)           | FC               | (%)           |
| <b>Agricultural</b>              | 86                                 | 0,01          | 38.016           | 1,62          | 271                              | 0,06          | 31.703           | 0,98          |
| Farming and Raising livestock    | 36                                 | 0,01          | 38.016           | 1,62          | 165                              | 0,04          | 31.562           | 0,98          |
| Forestry                         | 50                                 | 0,01          | -                | 0,00          | 106                              | 0,02          | 141              | 0,00          |
| Fishing                          | -                                  | 0,00          | -                | 0,00          | -                                | 0,00          | -                | 0,00          |
| <b>Manufacturing</b>             | 421.087                            | 59,05         | 929.141          | 39,49         | 195.586                          | 46,03         | 1.626.645        | 50,50         |
| Mining                           | 226                                | 0,03          | 52               | 0,00          | 650                              | 0,15          | 10.222           | 0,32          |
| Production                       | 409.619                            | 57,44         | 916.351          | 38,95         | 193.860                          | 45,62         | 1.598.167        | 49,62         |
| Electric, Gas and Water          | 11.242                             | 1,58          | 12.738           | 0,54          | 1.076                            | 0,25          | 18.256           | 0,57          |
| <b>Construction</b>              | 6.930                              | 0,97          | 236.674          | 10,06         | 12.433                           | 2,93          | 270.484          | 8,40          |
| <b>Services</b>                  | 280.756                            | 39,37         | 1.148.579        | 48,82         | 214.291                          | 50,43         | 1.292.037        | 40,11         |
| Wholesale and Retail Trade       | 76.040                             | 10,66         | 133.065          | 5,66          | 79.925                           | 18,81         | 89.868           | 2,79          |
| Hotel, Food and Beverage         |                                    |               |                  |               |                                  |               |                  |               |
| Services                         | 512                                | 0,07          | 299              | 0,01          | 1.117                            | 0,26          | 625              | 0,02          |
| Transportation and               |                                    |               |                  |               |                                  |               |                  |               |
| Telecommunication                | 5.672                              | 0,80          | 50.019           | 2,13          | 12.872                           | 3,03          | 70.867           | 2,20          |
| Financial Institutions           | 173.177                            | 24,28         | 739.882          | 31,45         | 99.953                           | 23,52         | 933.234          | 28,97         |
| Real Estate and Leasing Services | -                                  | 0,00          | -                | 0,00          | 59                               | 0,01          | -                | 0,00          |
| Self-employment Services         | 23.540                             | 3,30          | 217.705          | 9,25          | 19.215                           | 4,52          | 188.314          | 5,85          |
| Education Services               | 195                                | 0,03          | 26               | 0,00          | 155                              | 0,04          | 78               | 0,00          |
| Health and Social Services       | 1.620                              | 0,23          | 7.583            | 0,32          | 995                              | 0,23          | 9.051            | 0,28          |
| <b>Other</b>                     | 4.259                              | 0,60          | 176              | 0,01          | 2.321                            | 0,55          | -                | 0,00          |
| <b>Total</b>                     | <b>713.118</b>                     | <b>100,00</b> | <b>2.352.586</b> | <b>100,00</b> | <b>424.902</b>                   | <b>100,00</b> | <b>3.220.869</b> | <b>100,00</b> |

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

|                                     | Group I        |                  | Group II     |              |
|-------------------------------------|----------------|------------------|--------------|--------------|
|                                     | TL             | FC               | TL           | FC           |
| <b>Non-Cash loans</b>               | <b>706.914</b> | <b>2.347.944</b> | <b>4.225</b> | <b>4.317</b> |
| Letters of Guarantee                | 706.914        | 542.424          | 4.225        | 3.958        |
| Bank Acceptances                    | -              | 721.195          | -            | -            |
| Letters of Credit                   | -              | 686.323          | -            | -            |
| Endorsements                        | -              | -                | -            | -            |
| Underwriting Commitments            | -              | -                | -            | -            |
| Factoring Guarantees                | -              | -                | -            | -            |
| Other Commitments and Contingencies | -              | 398.002          | -            | 359          |

b. Explanations on derivative transactions:

|                        | Current Period    | Prior Period       |
|------------------------|-------------------|--------------------|
|                        | 31 December 2014  | 31 December 2013   |
| Currency Swap          | 74.400.992        | 71.991.730         |
| Interest Rate Swap     | 10.951.176        | 7.463.656          |
| Forward Transactions   | 6.651.120         | 7.950.019          |
| Currency Option        | 3.333.416         | 8.324.340          |
| Precious Metal Swap    | 289.856           | 246.910            |
| Precious Metal Options | 64.724            | 48.736             |
| Interest Rate Future   | -                 | 6.853.314          |
| Interest Rate Option   | -                 | -                  |
| <b>Total</b>           | <b>95.691.284</b> | <b>102.878.705</b> |

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

**1. Cash Flow Hedge Accounting:**

The Bank applies cash flow hedge accounting by cross currency swap transactions in order to hedge itself from the changes in the interest rates of the fixed-rate time deposits which have maturity of 1-3 month. The 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 31 December 2014, swaps amounting to TL 2.474.505 (31 December 2013: None) were subjected to cash flow hedge accounting as hedging instrument. After such hedge accounting, fair value gain before tax amounting to TL 803 (31 December 2013: None) are recognized under shareholders' equity in the current period. As of 31 December 2014, the Bank has ineffective portion amounting to TL 17 as a result of effectiveness tests (31 December 2013: None).

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

None

**d. Explanations on contingent assets and liabilities:**

For contingent assets, if the probability of condition is almost ultimate, this asset is recognised, if the probability is high, this asset is explained in the notes. There is no contingent asset that should be explained as of 31 December 2014 and 31 December 2013.

For contingent liabilities, if the probability of the condition is high and it can be measured reliably, provisions are set aside, if it cannot be measured reliably or there is no possibility for the condition to be realised or if it is low, this liability is explained in the notes.

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 31 December 2014, the total amount of these lawsuits filed against the Bank is TL 29.752 (31 December 2013: TL 15.070). TL 4.136 (31 December 2013: TL None) has been set aside as provision for those with the probability of being concluded against the bank is higher than the probability of their concluding in its favour and the total amount of provisions including lawsuit provisions related with refunds of loan proceed is TL 8.103 (31 December: TL 2.630).

**e. Explanations on services in the name of others:**

The Group gives buy and sell marketable securities and custodian services in the name of others.

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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<br>31 December 2014 |                | Prior Period<br>31 December 2013 |                |
|---|------------------------------------|----------------|----------------------------------|----------------|
|   | TL                                 | FC             | TL                               | FC             |
| Short-term Loans  | 890.912                            | 45.735         | 834.163                          | 45.772         |
| Medium and Long-Term Loans                                      | 767.372                            | 147.073        | 754.862                          | 125.345        |
| Interest on Loans Under Follow-Up                               | 22.364                             | -              | 18.196                           | 133            |
| Premiums Received from the Resource<br>Utilization Support Fund | -                                  | -              | -                                | -              |
| <b>Total</b>  | <b>1.680.648</b>                   | <b>192.808</b> | <b>1.607.221</b>                 | <b>171.250</b> |

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

2. Information on interest income received from banks:

|                                  | Current Period<br>31 December 2014 |               | Prior Period<br>31 December 2013 |              |
|----------------------------------|------------------------------------|---------------|----------------------------------|--------------|
|                                  | TL                                 | FC            | TL                               | FC           |
| From the CBRT                    | -                                  | -             | -                                | -            |
| From Domestic Banks              | 84.909                             | 9.982         | 41.735                           | 7.457        |
| From Foreign Banks               | 896                                | 633           | 1.584                            | 479          |
| Headquarters and Branches Abroad | -                                  | -             | -                                | -            |
| <b>Total</b>                     | <b>85.805</b>                      | <b>10.615</b> | <b>43.319</b>                    | <b>7.936</b> |

3. Information on interest income on marketable securities:

|   | Current Period<br>31 December 2014 |            | Prior Period<br>31 December 2013 |            |
|---|------------------------------------|------------|----------------------------------|------------|
|   | TL                                 | FC         | TL                               | FC         |
| Financial Assets Held For Trading                     | 18.895                             | 431        | 32.807                           | 424        |
| Financial Assets At Fair Value Through Profit or Loss | -                                  | -          | -                                | -          |
| Financial Assets Available For Sale                   | 75.799                             | -          | 215.439                          | -          |
| Investments Held to Maturity                          | -                                  | -          | -                                | -          |
| <b>Total</b>  | <b>94.694</b>                      | <b>431</b> | <b>248.246</b>                   | <b>424</b> |

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

As of 31 December 2014 and 31 December 2013, the Group has no interest income received from investments in associates and subsidiaries.

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

b. Information on interest expense:

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

|                                  | Current Period<br>31 December 2014 |                | Prior Period<br>31 December 2013 |                |
|----------------------------------|------------------------------------|----------------|----------------------------------|----------------|
|                                  | TL                                 | FC             | TL                               | FC             |
| Banks                            | 189.285                            | 131.300        | 178.905                          | 114.062        |
| The CBRT                         | -                                  | -              | -                                | -              |
| Domestic Banks                   | 828                                | 48             | 611                              | 88             |
| Foreign Banks                    | 188.457                            | 131.252        | 178.294                          | 113.974        |
| Headquarters and Branches Abroad | -                                  | -              | -                                | -              |
| Other Institutions               | -                                  | -              | -                                | -              |
| <b>Total</b>                     | <b>189.285</b>                     | <b>131.300</b> | <b>178.905</b>                   | <b>114.062</b> |

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

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

None (31 December 2013: None)

3. Information on interest expense given on securities issued:

The Group has no interest expense given on securities as of 31 December 2014 and 31 December 2013.

4. Maturity structure of the interest expense on deposits:

| Current Period:<br>31 December 2014 | Demand<br>Deposit | Time Deposit     |                  |                  |                 |                        | Total          |
|-------------------------------------|-------------------|------------------|------------------|------------------|-----------------|------------------------|----------------|
|                                     |                   | Up to 1<br>Month | Up to 3<br>Month | Up to 6<br>Month | Up to 1<br>Year | More<br>Than 1<br>year |                |
| <b>Turkish Lira</b>                 |                   |                  |                  |                  |                 |                        |                |
| Interbank deposits                  | -                 | 8.544            | -                | -                | -               | -                      | 8.544          |
| Saving deposits                     | -                 | 158.141          | 471.413          | 52.805           | 20.396          | 6.111                  | 708.866        |
| Public sector deposits              | -                 | 2                | -                | -                | -               | -                      | 2              |
| Commercial deposits                 | -                 | 127.926          | 34.585           | 10.239           | 1.503           | 702                    | 174.955        |
| Other Deposit                       | -                 | 1.210            | 3.610            | 504              | 8               | 4                      | 5.336          |
| <b>Total</b>                        | -                 | <b>295.823</b>   | <b>509.608</b>   | <b>63.548</b>    | <b>21.907</b>   | <b>6.817</b>           | <b>897.703</b> |
| <b>Foreign Currency</b>             |                   |                  |                  |                  |                 |                        |                |
| Foreign currency deposits           | -                 | 18.327           | 63.337           | 5.450            | 1.900           | 3.243                  | 92.257         |
| Interbank Deposits                  | -                 | 472              | -                | -                | -               | -                      | 472            |
| Precious metal deposits             | -                 | -                | 450              | 15               | 20              | -                      | 485            |
| <b>Total</b>                        | -                 | <b>18.799</b>    | <b>63.787</b>    | <b>5.465</b>     | <b>1.920</b>    | <b>3.243</b>           | <b>93.214</b>  |
| <b>Grand Total</b>                  | -                 | <b>314.622</b>   | <b>573.395</b>   | <b>69.013</b>    | <b>23.827</b>   | <b>10.060</b>          | <b>990.917</b> |

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

| Current Period:<br>31 December 2013 | Time Deposit      |                  |                  |                  |                 |                        | Total          |
|-------------------------------------|-------------------|------------------|------------------|------------------|-----------------|------------------------|----------------|
|                                     | Demand<br>Deposit | Up to 1<br>Month | Up to 3<br>Month | Up to 6<br>Month | Up to 1<br>Year | More<br>Than 1<br>year |                |
| <b>Turkish Lira</b>                 |                   |                  |                  |                  |                 |                        |                |
| Interbank deposits                  | 15                | 4.856            | 24               | -                | 73              | -                      | 4.968          |
| Saving deposits                     | -                 | 37.768           | 316.474          | 43.935           | 16.336          | 6.682                  | 421.195        |
| Public sector deposits              | -                 | 2                | 9                | -                | -               | -                      | 11             |
| Commercial deposits                 | -                 | 95.370           | 19.461           | 1.797            | 686             | 365                    | 117.679        |
| Other Deposit                       | -                 | 872              | 2.640            | 46               | 13              | 2                      | 3.573          |
| <b>Total</b>                        | <b>15</b>         | <b>138.868</b>   | <b>338.608</b>   | <b>45.778</b>    | <b>17.108</b>   | <b>7.049</b>           | <b>547.426</b> |
| <b>Foreign Currency</b>             |                   |                  |                  |                  |                 |                        |                |
| Foreign currency deposits           | -                 | 16.107           | 55.143           | 7.613            | 2.562           | 5.388                  | 86.813         |
| Interbank Deposits                  | -                 | 756              | -                | -                | -               | -                      | 756            |
| Precious metal deposits             | 58                | -                | 2                | 1                | 1               | -                      | 62             |
| <b>Total</b>                        | <b>58</b>         | <b>16.863</b>    | <b>55.145</b>    | <b>7.614</b>     | <b>2.563</b>    | <b>5.388</b>           | <b>87.631</b>  |
| <b>Grand Total</b>                  | <b>73</b>         | <b>155.731</b>   | <b>393.753</b>   | <b>53.392</b>    | <b>19.671</b>   | <b>12.437</b>          | <b>635.057</b> |

5. Information on interest given on repurchase agreement:

As of 31 December 2014, the Group has interest given on repurchase agreement amounting to TL 40.142 (31 December 2013: TL 31.393).

6. Information on financial lease expense:

As of 31 December 2014 and 31 December 2013, the Group has no financial leasing expense.

7. Information on interest expenses given on factoring payables:

As of 31 December 2014 and 31 December 2013, the Group has no interest given on factoring payables

c. Explanations on dividend income:

|   | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|---|------------------------------------|----------------------------------|
| Trading Financial Assets                      | -                                  | -                                |
| Financial Assets at FV Through Profit or Loss | -                                  | -                                |
| Available for-sale Financial Assets           | -                                  | 4.526                            |
| Other   | -                                  | -                                |
| <b>Total</b>                                  | <b>-</b>                           | <b>4.526</b>                     |

d. 1. Explanations on trading income/loss (net):

|   | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|---|------------------------------------|----------------------------------|
| <b>Profit</b>                             | <b>60.600.799</b>                  | <b>42.796.464</b>                |
| Income from Capital Market Transactions   | 28.589                             | 49.740                           |
| Derivative Financial Transactions Income  | 9.557.621                          | 836.133                          |
| Foreign Exchange Gains                    | 51.014.589                         | 41.910.591                       |
| <b>Loss (-)</b>                           | <b>60.821.643</b>                  | <b>42.883.300</b>                |
| Capital Market Transactions Loss          | 18.381                             | 46.520                           |
| Loss on Derivative Financial Transactions | 9.374.811                          | 903.405                          |
| Foreign Exchange Loss                     | 51.428.451                         | 41.933.375                       |
| <b>Total (Net)</b>                        | <b>(220.844)</b>                   | <b>(86.836)</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<br>31 December 2014 | Prior Period<br>31 December 2013 |
|---|------------------------------------|----------------------------------|
| Effect of the change in exchange rates on profit/loss | 287.990                            | 18.430                           |
| Effect of the change in interest rates on profit/loss | (105.180)                          | (85.702)                         |
| <b>Total (Net)</b>                                    | <b>182.810</b>                     | <b>(67.272)</b>                  |

e. Explanations on other operating income:

Other operating income consists of reverse of the previous year provision amounting to TL 110.367 (31 December 2013: TL 13.686), gain on sale of loans under follow-up amounting to TL 63.196 (31 December 2013: None), telecommunication income amounting to TL 2.162 (31 December 2013: TL 3.224), gain on sale of assets amounting to TL 1.550 (31 December 2013: TL 4.317) and other income amounting to TL 26.797 (31 December 2013: TL 25.062) as of 31 December 2014.

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

|  | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|--|------------------------------------|----------------------------------|
| Specific Provisions for Loans and Other Receivables                                    | 534.691                            | 376.988                          |
| III. Group Loans and Receivables   | 41.632                             | 6.492                            |
| IV. Group Loans and Receivables  | 143.298                            | 46.935                           |
| V. Group Loans and Receivables   | 349.761                            | 323.561                          |
| General Provision Expenses   | 15.106                             | 98.978                           |
| Provision Expense for Possible Risks   | -                                  | -                                |
| Marketable Securities Impairment Expense   | 870                                | 3.280                            |
| Financial Assets at Fair Value Through Profit or Loss                                  | 61                                 | 92                               |
| Available-for-sale Financial Assets  | 809                                | 3.188                            |
| 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  | 16.254                             | 22.965                           |
| <b>Total</b>   | <b>566.921</b>                     | <b>502.211</b>                   |

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

g. Information related to other operating expenses:

|  | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|--|------------------------------------|----------------------------------|
| Personnel Expenses   | 617.423                            | 605.687                          |
| Reserve for Employee Termination Benefits  | 14.803                             | 12.626                           |
| Bank Social Aid Provision Fund Deficit Provision                                       | -                                  | -                                |
| Impairment Expenses of Property and Equipment  | -                                  | -                                |
| Depreciation Expenses of Property and Equipment  | 36.500                             | 45.668                           |
| Impairment Expenses of Intangible Assets   | -                                  | -                                |
| Goodwill Impairment Expenses   | -                                  | -                                |
| Amortization Expenses of Intangible Assets   | 13.916                             | 6.625                            |
| Impairment Expenses on Equity Accounted Investees                                      | -                                  | -                                |
| Impairment Expenses on Assets Held for Sale  | -                                  | -                                |
| Depreciation Expenses on Assets Held for Sale  | 60                                 | 109                              |
| Impairment Expenses on Non-Current Assets Held for Sale<br>and discontinued operations | -                                  | 6                                |
| Other Operating Expenses   | 440.541                            | 450.146                          |
| Operational Lease Expenses   | 137.632                            | 131.433                          |
| Maintenance Expenses   | 42.472                             | 30.047                           |
| Advertisement Expenses   | 53.301                             | 56.777                           |
| Other Expenses   | 207.136                            | 231.889                          |
| Loss on Sales of Assets  | 919                                | 642                              |
| Other  | 246.426                            | 179.830                          |
| <b>Total</b>   | <b>1.370.588</b>                   | <b>1.301.339</b>                 |

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

The Group has operating income amounting to TL 1.891.004 (31 December 2013: TL 1.888.042) as of 31 December 2014. The amount of provisions for losses for loans and other receivables is TL 566.921 (31 December 2013: TL 502.211), other operating expenses amount to TL 1.370.588 (31 December 2013: TL 1.301.339), loss before tax amounts to TL (46.505) (31 December 2013: TL 84.492 profit before tax).

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

The Group has corporate tax provision expense amounting to TL 10.476 (31 December 2013: TL 54.961) and deferred tax income amounting to TL 123 (31 December 2013: TL 14.872 deferred tax income) as of 31 December 2014. The Group has no deferred tax expense (31 December 2013: None) as of 31 December 2014.

The whole amount of deferred tax income, which is TL 123 (31 December 2013: TL 14.872), mentioned in the financial statements of the Bank 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 1.237.457 (31 December 2013: TL 1.302.813), and net wage and commission income amounting to TL 670.319 (31 December 2013: TL 621.250) have an important role among the income items in the interim accounting period ending on 31 December 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 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:**

As of 31 December 2014, there is "securities increase fund" amounting to TL 7.336 (31 December 2013: TL 27.513 decrease). This amount consists of the interest income of the debt instruments, a type of marketable securities, which is calculated by using effective interest rate method and their fair value difference, the costs of share certificates and their fair value differences and the deferred tax effects of these transactions which cannot be related to profit or loss.

As of 31 December 2014, the increase of TL 34.849 (31 December 2013: TL 63.282 decrease) arising from re-measuring the investments available for sale at their fair value after netting the deferred tax effect, has been shown as a current period movement in the calculation of the securities value increase fund in the equities difference table.

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

The informations regarding the accounting of cash flow hedges are explained in Note b.1 of Section Three.

**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:**

In the accounting period ending 31 December 2014, loss amounting to TL 5.297 (31 December 2013: TL 17.134 loss ) arising from the revaluation of investments available for sale at their fair values has been transferred from equities to net profit/loss account since the investment available for sale was sold.

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

The informations regarding the accounting of cash flow hedges are explained in Note b.1 of Section Three.

**c. Explanations on dividend distribution:**

The Ordinary General Assembly Meeting of the Bank has not been held yet as the preparing date of these financial statements.

**d. Explanations on issuance of common stock:**

The Group has no issuance of common stock as of 31 December 2014 and 31 December 2013.

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

As of 31 December 2014 and 31 December 2013, the adjustments made for previous periods do not have any effect on opening balance sheets of the Group.

**f. Offsetting prior period's losses:**

As of 31 December 2014 and 31 December 2013, the Group does not have any offset transactions relating to previous year's losses.

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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:

Operating profit amounting to TL 545.514 (31 December 2013: TL 431.932) consists of interest income amounting to TL 2.654.964 (31 December 2013: TL 2.162.892), interest expense amounting to TL 1.361.714 (31 December 2013: TL 986.412), personnel expenses amounting to TL 632.254 (31 December 2013: TL 604.564) and net expense other than interest amounting to TL 115.482 (31 December 2013: TL 139.984).

Net decrease in other liabilities amounting to TL 1.431.825 (31 December 2013: TL 1.934.358 net increase) consists mainly of changes in miscellaneous payables, subordinated debts, other liabilities and taxes and other duties payable.

Effect of change in exchange rate on cash and cash equivalents is calculated approximately TL 51.182 (31 December 2013: TL 90.064) as of 31 December 2014.

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

The Group has no cash flow arising from acquisition of associates, subsidiaries and other investments as of 31 December 2014 and 31 December 2013.

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

The Group has no cash flow related to disposals of associates, subsidiaries or other investments as of 31 December 2014 and 31 December 2013.

d. Information on cash and cash equivalents:

Cash flow statement does not include accumulated interest income of cash and cash equivalents. Marketable securities include securities will amortize in three months after their trade date. Banks balance includes cash equivalents in of banks and other financial institutions and CBRT unblocked accounts.

Cash and cash equivalents at the beginning of the period:

|  | Current Period<br>31 December 2013 | Prior Period<br>31 December 2012 |
|--|------------------------------------|----------------------------------|
| Cash   | 383.469                            | 360.461                          |
| Interbank Money Market Placements            | 6.787.257                          | 2.028.650                        |
| Marketable Securities (Net)                  | -                                  | -                                |
| CBRT, Banks and Other Financial Institutions | 1.705.037                          | 820.614                          |
| <b>Total Cash and Cash Equivalents</b>       | <b>8.875.763</b>                   | <b>3.209.725</b>                 |

Cash and cash equivalents at the end of period:

|  | Current Period<br>31 December 2014 | Prior Period<br>31 December 2013 |
|--|------------------------------------|----------------------------------|
| Cash   | 360.862                            | 383.469                          |
| Interbank Money Market Placements            | 6.833.606                          | 6.787.257                        |
| Marketable Securities (Net)                  | -                                  | -                                |
| CBRT, Banks and Other Financial Institutions | 2.533.637                          | 1.705.037                        |
| <b>Total Cash and Cash Equivalents</b>       | <b>9.728.105</b>                   | <b>8.875.763</b>                 |

e. Additional information:

None.

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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 - 31 December 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                 | 28  | -        | 14.460                                      | 660.353  | 26   | 53       |
| Closing Balance                 | -   | -        | 3.964                                       | 587.484  | -  | 7        |
| Interest and Commissions Income | -   | -        | 315   | 1.383    | -  | -        |

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                    | 28  | -        | 14.460                                      | 660.353  | 26   | 53       |
| Interest and Commissions Income(*) | -   | -        | 836   | 859      | -  | -        |

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

| Risk Group of the Bank          | Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures) |                  | Direct or Indirect Shareholders of the Bank |                  | Other Real and Legal Persons in the Risk Group |                  |
|---------------------------------|---|------------------|---|------------------|--|------------------|
|                                 | Current Period  | Prior Period     | Current Period                              | Prior Period     | Current Period                                 | Prior Period     |
|                                 | 31 December 2014  | 31 December 2013 | 31 December 2014                            | 31 December 2013 | 31 December 2014                               | 31 December 2013 |
| Deposit                         |   |                  |   |                  |  |                  |
| Opening Balance                 | 4.044   | 3.808            | 50.715                                      | 33.834           | 376  | 4.527            |
| Closing Balance                 | 14.401  | 4.044            | 37.517                                      | 50.715           | 6.227  | 376              |
| Interest expense on deposits(*) | -   | -                | -   | -                | 308  | 311              |

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  | Prior Period     | Current Period                              | Prior Period     | Current Period   | Prior Period     |
|  | 31 December 2014  | 31 December 2013 | 31 December 2014                            | 31 December 2013 | 31 December 2014                                       | 31 December 2013 |
| The Fair Value Differences Through Profit and Loss |   |                  |   |                  |  |                  |
| Opening Balance                                    | -   | -                | 88.076.697                                  | 30.887.791       | -  | -                |
| Closing Balance                                    | -   | -                | 84.523.265                                  | 88.076.697       | -  | -                |
| Total Profit/Loss                                  | -   | -                | 305.837                                     | (16.838)         | -  | -                |
| Transactions for Hedging Purposes                  |   |                  |   |                  |  |                  |
| Opening Balance                                    | -   | -                | -   | -                | -  | -                |
| Closing Balance                                    | -   | -                | 2.474.505                                   | -                | -  | -                |
| Total Profit/Loss                                  | -   | -                | 17  | -                | -  | -                |

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

As of 31 December 2014, payment made to top executives of the Group is amounting to TL 74.639 (31 December 2013: TL 65.946).

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

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

|                                      | Number | Number of<br>Employees |                             |              |                            |
|--------------------------------------|--------|------------------------|-----------------------------|--------------|----------------------------|
| Domestic Branch                      | 294    | 5.718                  |                             |              |                            |
|                                      |        |                        | Country of<br>Incorporation |              |                            |
| Foreign Representation<br>Office     |        |                        |                             | -            |                            |
|                                      |        |                        |                             | Total Assets | Statutory<br>Share Capital |
| Foreign branch                       | 1      | 12                     | 1-Girne                     | 239.434      | -                          |
|                                      | 1      | 9                      | 2-Gazi Mağosa               | 76.014       | -                          |
|                                      | 2      | 40                     | 3-Lefkoşe                   | 439.192      | 135.659                    |
| Off-shore Banking<br>Region Branches |        |                        |                             | -            | -                          |

**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.

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**SECTION SIX**

**OTHER EXPLANATIONS**

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

None.

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT**

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

The consolidated financial statements for the year ended 31 December 2014 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 27 February 2015 is presented in the introduction of this report.

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

None.

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