

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS
AND REVIEW REPORT
AT 31 DECEMBER 2015,
SEE NOTE I OF SECTION THREE**

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH REVIEW REPORT
AT 31 DECEMBER 2015**



**CONVENIENCE TRANSLATION INTO ENGLISH OF THE
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

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

Report on Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of HSBC Bank A.Ş. ("the Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2015 and the related consolidated statement of income, consolidated income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, other regulations on accounting records of Banks published by BRSA, circulars and interpretations published by BRSA, and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with the "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and Independent Auditing Standards that are part of Turkish Standards on Auditing published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of HSBC Bank A.Ş. and its subsidiaries as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Other Matter

The consolidated financial statements of the Bank and its subsidiaries as at and for the year ended 31 December 2014 were audited by another auditor whose report dated 27 February 2015 expressed an unqualified opinion.

Report on Other Responsibilities Arising From Regulatory Requirements

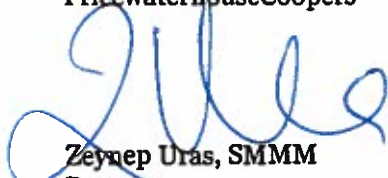
In accordance with subparagraph 4 of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional Paragraph for Convenience Translation

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

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers



Zeynep Uras, SMMM
Partner

Istanbul, 26 February 2016



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

CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S. AND ITS FINANCIAL
AFFILIATES AS OF AND FOR 31 DECEMBER 2015

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

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

- GENERAL INFORMATION ABOUT PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE GROUP WHICH IS UNDER CONSOLIDATION
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON 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 Alasdair Emmett
General
Manager

Burçin Ozan
Financial Reporting
Assistant General
Manager

Yerközan Kıl
Group Head

Ian Simon Jenkins
Head of
Audit Comitee

Hamit Aydoğan
Member of
Audit Comitee

Information about the responsible personnel whom questions may be asked:

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

HSBC Bank A.Ş.

Sicil Numarası: İstanbul Ticaret Sicil Müdürlüğü - 268376

Ticaret Ünvanı: HSBC Bank A.Ş.

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

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

Web Adresi: www.hsbc.com.tr

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

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

As of 31 December 2015, 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 2015 there has been no changes regarding the Bank’s capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

An announcement was placed on Public Disclosure Platform on 9 June 2015 stating that HSBC Bank Plc, main shareholder of HSBC Bank A.Ş., has decided to sell its shares and that throughout this process Bank’s customers and employees have priority and customers will have uninterrupted service. More details will be provided in later announcements.

In this respect, on 22 February 2016 HSBC Group announced that the process to sell HSBC Turkey has concluded with a decision to retain and restructure HSBC’s business in Turkey. In line with this decision, HSBC Turkey will maintain its wholesale banking business and refocus its retail network with the aim to develop a sustainable and profitable organisation. Process to prepare execution plan has been started. HSBC Turkey will continue to support its customers by leveraging its international connectivity, along with its global expertise in trade and wealth management.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I HSBC BANK A.Ş. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(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 David SPURLING	Chairman Deputy	Undergraduate
Board of Directors: (**)	James Alasdair EMMETT	Member and CEO	Graduate
	Paul HAGEN	Member	Graduate
	Hamit AYDOĞAN	Member	Undergraduate
	Mehmet Gani SÖNMEZ	Member	Undergraduate
	Ian Simon JENKINS	Member	Graduate
	Edward Michael FLANDERS	Member	Undergraduate
CEO:	James Alasdair EMMETT	CEO	Graduate
Head of Internal Audit:	Tolunay KANŞAY (*)	Head of Internal Audit	Undergraduate
Chief Assistants to the General Manager:	Necdet Murat ŞARSEL	Credit and Risk	Graduate
	Rüçhan ÇANDAR	Operations Service and Technology	Graduate
Executive Vice Presidents:	Necdet Murat ŞARSEL	Credit and Risk	Graduate
	Sait Burak ZEYLAN	Corporate and Commercial Banking	Undergraduate
	Hulusi HOROZOĞLU	Global and Investment Banking	Graduate
	Taylan TURAN	Retail Banking	Graduate
	Ali Batu KARAALİ	Treasury and Capital Markets	Graduate
	Burçin OZAN	Finance	Undergraduate
	Ali Dündar PARLAR	Internal Systems and Regulations	Undergraduate
	Rüçhan ÇANDAR	Technology and Services	Graduate
	Şengül DEMİRCAN	Human Resources	Undergraduate
Audit Committee:	Ian Simon JENKINS	Head of the Audit Committee	Graduate
	Hamış AYDOĞAN	Member of the Audit Committee	Graduate
	Paul HAGEN	Member of the Audit Committee	Graduate

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

(*) As of 7 January 2016 by the Board Decision no.13400, Umut PASİN was appointed to the Head of Inspection Committee acting as principal starting from 27 January 2016.

(**) As of 19 January 2016 by the Board Decision no.13404, Lütfiye Yeşim UÇTUM was appointed as a member of the Board of Directors on 1 February 2016 to replace Leyla ETKER who resigned from Board of Directors on 3 August 2015.

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

<u>Name/Commercial Title</u>	<u>Share Amounts (Nominal) (**)</u>	<u>Share Percentages</u>	<u>Paid-in Capital (Nominal) (**)</u>	<u>Unpaid Portion</u>
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.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“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 perform factoring and forfeiting activities,
- To establish social and cultural facilities or to help or participate facilities in the existing.

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

As of 31 December 2015, the Parent Bank has 280 branches dispersed throughout the country and 4 branches operating abroad (31 December 2014: 294 branches and 4 branches operating abroad).

As of 31 December 2015, the number of employees of the Group is 5.049 (31 December 2014: 5.718).

VI. OTHER MATTERS

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

VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE

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

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

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

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014
(STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET	Note (Section Five I)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		ASSETS			ASSETS		
		TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH CENTRAL BANK	(I-a)	332.498	3.061.976	3.394.474	897.581	2.608.077	3.505.658
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	1.370.728	301.539	1.672.267	840.515	171.098	1.011.613
2.1 Trading Financial Assets		1.370.728	301.539	1.672.267	840.515	171.098	1.011.613
2.1.1 Government Debt Securities		997.127	18.524	1.015.651	374.043	16.413	390.456
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		368.419	283.015	651.434	463.597	154.685	618.282
2.1.4 Other Marketable Securities		5.182	-	5.182	2.875	-	2.875
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)	78.285	437.363	515.648	1.014.834	858.492	1.873.326
IV. MONEY MARKETS		2.490.732	1.388.808	3.879.540	6.833.606	-	6.833.606
4.1 Interbank Money Market Placements		-	226.495	226.495	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		2.490.732	1.162.313	3.653.045	6.833.606	-	6.833.606
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	628.867	25.410	654.277	530.409	-	530.409
5.1 Share Certificates		4.385	25.410	29.795	4.385	-	4.385
5.2 Government Debt Securities		624.482	-	624.482	526.024	-	526.024
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(I-e)	14.010.438	6.484.466	20.494.904	14.562.700	4.773.361	19.336.061
6.1 Loans and receivables		13.551.570	6.484.251	20.035.821	14.085.380	4.773.068	18.858.448
6.1.1 Bank's Risk Group	(VII)	-	20.399	20.399	-	3.964	3.964
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		13.551.570	6.463.852	20.015.422	14.085.380	4.769.104	18.854.484
6.2 Non Performing Loans		1.244.755	330	1.245.085	1.240.197	423	1.240.620
6.3 Specific Provisions (-)		785.887	115	786.002	762.877	130	763.007
VII. FACTORING RECEIVABLES		536.832	47.236	584.068	162.512	15.793	178.305
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)	20.666	-	20.666	36.299	-	36.299
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		20.666	-	20.666	36.299	-	36.299
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	87.566	-	87.566	115.155	-	115.155
XV. INTANGIBLE ASSETS (Net)	(I-m)	34.530	-	34.530	119.268	-	119.268
15.1 Goodwill		-	-	-	83.450	-	83.450
15.2 Other		34.530	-	34.530	35.818	-	35.818
XVI. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-
XVII. TAX ASSET		24.557	-	24.557	121.150	-	121.150
17.1 Current Tax Asset		23.527	-	23.527	74.170	-	74.170
17.2 Deferred Tax Asset	(I-o)	1.030	-	1.030	46.980	-	46.980
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	3.444	-	3.444	3.179	-	3.179
18.1 Held for sale Purposes		3.444	-	3.444	3.179	-	3.179
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	166.739	139.896	306.635	181.571	17.113	198.684
TOTAL ASSETS		19.786.152	11.886.694	31.672.846	25.419.049	8.443.934	33.862.983

The accompanying explanations and notes set out on pages 15 to 86 form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014
(STATEMENT OF FINANCIAL POSITION)

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

I. BALANCE SHEET	Note (Section Five II)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES					
I. DEPOSITS	(II-a)	8.784.633	10.232.142	19.016.775	10.959.625	8.064.118	19.023.743
1.1 Deposits of Bank's Risk Group	(VII)	55.231	3.851	59.082	54.492	3.653	58.145
1.2 Other		8.729.402	10.228.291	18.957.693	10.905.133	8.060.465	18.965.598
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	99.919	257.249	357.168	78.815	424.825	503.640
III. BORROWINGS	(II-d)	622.385	4.729.208	5.351.593	2.512.834	5.696.132	8.208.966
IV. MONEY MARKETS		790.709	-	790.709	395.596	-	395.596
4.1 Funds from Interbank Money Market		-	-	-	-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements	(II-c)	790.709	-	790.709	395.596	-	395.596
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		404.148	251.486	655.634	444.911	150.701	595.612
VIII. OTHER LIABILITIES	(II-e)	395.665	80.156	475.821	427.600	70.133	497.733
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)	10.800	-	10.800	8.615	-	8.615
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		10.800	-	10.800	8.615	-	8.615
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XII. PROVISIONS	(II-h)	590.867	1.023	591.890	458.055	1.749	459.804
12.1 General Loan Loss Provision		457.075	-	457.075	362.405	-	362.405
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		61.424	-	61.424	34.799	-	34.799
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		72.368	1.023	73.391	60.851	1.749	62.600
XIII. TAX LIABILITY	(II-i)	54.416	-	54.416	51.016	-	51.016
13.1 Current Tax Liability		54.416	-	54.416	51.016	-	51.016
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)	-	1.651.009	1.651.009	-	1.073.095	1.073.095
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.696.703	20.328	2.717.031	3.045.163	-	3.045.163
16.1 Paid-in Capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		275.942	20.328	296.270	279.387	-	279.387
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		(4.190)	20.328	16.138	7.336	-	7.336
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)		7.439	-	7.439	(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		2.093.542	-	2.093.542	2.170.590	-	2.170.590
16.3.1 Legal Reserves		199.603	-	199.603	196.002	-	196.002
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		1.915.065	-	1.915.065	1.975.770	-	1.975.770
16.3.4 Other Profit Reserves		(21.126)	-	(21.126)	(1.182)	-	(1.182)
16.4 Income or (Loss)		(325.071)	-	(325.071)	(57.104)	-	(57.104)
16.4.1 Prior Years' Income or (Loss)		-	-	-	-	-	-
16.4.2 Current Year Income or (Loss)		(325.071)	-	(325.071)	(57.104)	-	(57.104)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14.450.245	17.222.601	31.672.846	18.382.230	15.480.753	33.862.983

The accompanying explanations and notes set out on pages 15 to 86 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 OFF-BALANCE SHEET AS OF 31 DECEMBER 2015 AND 31 DECEMBER 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (31/12/2015)			Prior Period (31/12/2014)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		34.785.512	69.635.989	104.421.501	51.852.792	66.964.579	118.817.371
I. GUARANTEES AND WARRANTIES	(III-a-2,3)	807.726	2.266.393	3.074.119	713.118	2.352.586	3.065.704
1.1 Letters of Guarantee		807.726	860.479	1.668.205	713.118	546.381	1.259.499
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		14.026	3.536	17.562	-	-	-
1.1.3 Other Letters of Guarantee		793.700	856.943	1.650.643	713.118	546.381	1.259.499
1.2 Bank Acceptances		-	470.727	470.727	-	721.520	721.520
1.2.1 Import Letter of Acceptance		-	470.727	470.727	-	709.855	709.855
1.2.2 Other Bank Acceptances		-	-	-	-	11.665	11.665
1.3 Letters of Credit		-	595.235	595.235	-	686.323	686.323
1.3.1 Documentary Letters of Credit		-	212.429	212.429	-	355.433	355.433
1.3.2 Other Letters of Credit		-	382.806	382.806	-	330.890	330.890
1.4 Refinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	339.952	339.952	-	398.362	398.362
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a-1)	15.173.412	16.264.504	31.437.916	11.461.109	8.599.274	20.060.383
2.1 Irrevocable Commitments		15.173.412	16.264.504	31.437.916	11.461.109	8.599.274	20.060.383
2.1.1 Asset Purchase and Sale Commitments		7.758.398	16.264.199	24.022.597	2.597.293	7.420.577	10.017.870
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	1.175.103	1.175.103
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		501.356	-	501.356	839.213	1.050	840.263
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		545.564	-	545.564	557.693	-	557.693
2.1.8 Tax and Fund Liabilities from Export Commitments		5.330	-	5.330	5.614	-	5.614
2.1.9 Commitments for Credit Card Limits		5.373.983	-	5.373.983	6.364.673	-	6.364.673
2.1.10 Commitments for Credit Cards and Banking Services Promotions		20.325	-	20.325	19.022	-	19.022
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	25	25	-	1.170	1.170
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	25	25	-	1.170	1.170
2.1.13 Other Irrevocable Commitments		968.456	255	968.711	1.077.601	204	1.077.805
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	18.804.374	51.105.092	69.909.466	39.678.565	56.012.719	95.691.284
3.1 Hedging Derivative Financial Instruments		492.545	510.825	1.003.370	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		492.545	510.825	1.003.370	1.205.019	1.269.486	2.474.505
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Transactions		18.311.829	50.594.267	68.906.096	38.473.546	54.743.233	93.216.779
3.2.1 Forward Foreign Currency Buy/Sell Transactions		3.346.109	6.652.396	9.998.505	2.642.266	4.008.854	6.651.120
3.2.1.1 Forward Foreign Currency Transactions-Buy		1.914.888	3.074.738	4.989.626	1.788.700	1.528.250	3.316.950
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.431.221	3.577.658	5.008.879	853.566	2.480.604	3.334.170
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		10.938.979	38.273.022	49.212.001	34.514.898	48.362.765	82.877.663
3.2.2.1 Foreign Currency Swap-Buy		4.060.773	11.162.324	15.223.097	15.057.899	21.133.810	36.191.709
3.2.2.2 Foreign Currency Swap-Sell		6.878.206	7.752.896	14.631.102	19.456.999	16.277.779	35.734.778
3.2.2.3 Interest Rate Swap-Buy		-	9.678.901	9.678.901	-	5.475.588	5.475.588
3.2.2.4 Interest Rate Swap-Sell		-	9.678.901	9.678.901	-	5.475.588	5.475.588
3.2.3 Foreign Currency, Interest rate and Securities Options		4.026.741	5.361.504	9.388.245	1.316.382	2.017.034	3.333.416
3.2.3.1 Foreign Currency Options-Buy		2.006.761	2.687.318	4.694.079	658.191	1.008.517	1.666.708
3.2.3.2 Foreign Currency Options-Sell		2.019.980	2.674.186	4.694.166	658.191	1.008.517	1.666.708
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	307.345	307.345	-	354.580	354.580
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		61.836.873	85.598.781	147.435.654	59.414.548	80.657.748	140.072.296
IV. ITEMS HELD IN CUSTODY		32.209.275	1.548.317	33.757.592	29.219.819	1.474.334	30.694.153
4.1 Customer Fund and Portfolio Balances		1.221.087	-	1.221.087	1.454.823	-	1.454.823
4.2 Investment Securities Held in Custody		17.037.112	1.215.692	18.252.804	20.670.095	1.215.352	21.885.447
4.3 Checks Received for Collection		2.187.204	249.317	2.436.521	2.050.960	202.002	2.252.962
4.4 Commercial Notes Received for Collection		128.629	-	128.629	80.463	-	80.463
4.5 Other Assets Received for Collection		-	8.462	8.462	-	8.598	8.598
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		11.635.243	74.846	11.710.089	4.963.478	48.382	5.011.860
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		12.179.624	14.162.474	26.342.098	12.516.539	14.638.204	27.154.743
5.1 Marketable Securities		903.674	16.840	920.514	509.646	10.108	519.754
5.2 Guarantee Notes		623.088	1.948.806	2.571.894	666.617	1.798.051	2.464.668
5.3 Commodity		240	6.410	6.650	240	5.123	5.363
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		8.324.255	2.670.818	10.995.073	8.676.245	2.771.856	11.448.101
5.6 Other Pledged Items		2.328.367	9.519.600	11.847.967	2.663.791	10.053.066	12.716.857
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		17.447.974	69.887.990	87.335.964	17.678.190	64.545.210	82.223.400
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		96.622.385	155.234.770	251.857.155	111.267.340	147.622.327	258.889.667

The accompanying explanations and notes set out on pages 15 to 86 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS FOR THE PERIODS ENDED
31 DECEMBER 2015 AND 31 DECEMBER 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

III. STATEMENT OF INCOME		Note (Section Five IV)	Current Period (01/01/2015 - 31/12/2015)	Prior Period (01/01/2014 - 31/12/2014)
INCOME AND EXPENSE ITEMS				
I.	INTEREST INCOME	(IV-a)	2.406.881	2.594.359
1.1	Interest on Loans	(IV-a-1)	1.960.326	1.873.456
1.2	Interest Received from Reserve Requirements		8.128	1.280
1.3	Interest Received from Banks	(IV-a-2)	100.193	96.420
1.4	Interest Received from Money Market Transactions		198.674	480.260
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	128.923	95.125
1.5.1	Trading Financial Assets		87.890	19.326
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-
1.5.3	Available-for-sale Financial Assets		41.033	75.799
1.5.4	Held to Maturity Investments		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		10.637	47.818
II.	INTEREST EXPENSE (-)	(IV-b)	1.274.950	1.356.902
2.1	Interest on Deposits (-)	(IV-b-4)	924.267	990.917
2.2	Interest on Funds Borrowed (-)	(IV-b-1)	268.829	320.585
2.3	Interest Expense on Money Market Transactions (-)		62.147	40.142
2.4	Interest on Securities Issued (-)	(IV-b-3)	-	-
2.5	Other Interest Expenses (-)		19.707	5.258
III.	NET INTEREST INCOME (I + II)		1.131.931	1.237.457
IV.	NET FEES AND COMMISSIONS INCOME		530.941	670.319
4.1	Fees and Commissions Received		576.389	720.692
4.1.1	Non-Cash Loans		17.860	19.694
4.1.2	Other	(IV-l)	558.529	700.998
4.2	Fees and Commissions Paid (-)		45.448	50.373
4.2.1	Non-Cash Loans (-)		389	175
4.2.2	Other (-)		45.059	50.198
V.	DIVIDEND INCOME	(IV-c)	2.289	-
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	37.057	(220.844)
6.1	Trading Gains/(Losses) on Securities		(9.311)	10.208
6.2	Derivative Financial Transactions Gains/(Losses)		696.073	182.810
6.3	Foreign Exchange Gains/(Losses)		(649.705)	(413.862)
VII.	OTHER OPERATING INCOME	(IV-e)	181.232	204.072
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.883.450	1.891.004
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	700.918	566.921
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	1.444.438	1.370.588
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		(261.906)	(46.505)
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)	(IV-h)	(261.906)	(46.505)
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-i)	(63.165)	(10.599)
16.1	Current Tax Provision		(19.420)	(10.476)
16.2	Deferred Tax Provision		(43.745)	(123)
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(IV-j)	(325.071)	(57.104)
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-Current Assets Held for Resale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-Current Assets Held for Resale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
XX.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(IV-k)	(325.071)	(57.104)
23.1	Group's Profit/Loss		(325.071)	(57.104)
23.2	Minority Shares Profit/Loss		-	-
	Earnings/Loss per Share(The amounts are expressed in full TL)		(0,004984)	(0,000875)

The accompanying explanations and notes set out on pages 15 to 86 form an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED
31 DECEMBER 2015 AND 31 DECEMBER 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY			
INCOME AND EXPENSE ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY		Current Period (31/12/2015)	Prior Period (31/12/2014)
I.	ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	11.003	43.561
II.	PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV.	CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)	10.101	(803)
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	(24.930)	801
IX.	DEFERRED TAX RELATED TO VALUATION DIFFERENCES	765	(8.712)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(3.061)	34.847
XI.	CURRENT YEAR PROFIT/LOSS	(325.071)	(57.104)
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	(544)	(5.297)
11.2	Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	(280)	14
11.3	Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4	Other	(324.247)	(51.821)
XII.	TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	(328.132)	(22.257)

The accompanying explanations and notes set out on pages 15 to 86 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED 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 2014**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																				
31 December 2014		Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/ (Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible/Disc. Operate.	Minority Shares Except Total Equity	Minority Shares	Total 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
II.	Corrections According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balance (I+II)		652.290	-	-	201.433	-	-	1.925.936	270.870	44.403	-	(27.513)	-	-	-	-	3.067.419	-	3.067.419
IV.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences	(V-a)	-	-	-	-	-	-	-	-	-	-	34.849	-	-	-	-	34.849	-	34.849
VI.	Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	(642)	-	(642)	-	(642)
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(642)	-	(642)	-	(642)
6.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Property and Equipment Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible Fixed Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Premium	(V-d)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Paid in-Capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	641	-	-	-	-	-	-	-	641	-	641
XIX.	Current Year Income or Loss		-	-	-	-	-	-	-	-	(57.104)	-	-	-	-	-	-	(57.104)	-	(57.104)
XX.	Profit Distribution		-	-	-	(5.431)	-	-	49.834	-	(44.403)	-	-	-	-	-	-	-	-	-
20.1	Dividend Paid		-	-	-	(5.431)	-	-	49.834	-	(44.403)	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves		-	-	-	(5.431)	-	-	49.834	-	(44.403)	-	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the End of the Period (III+IV+V+.....+XX)			652.290	-	-	196.002	-	-	1.975.770	271.511	(57.104)	-	7.336	-	-	(642)	-	3.045.163	-	3.045.163

The accompanying explanations and notes set out on pages 15 to 86 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 December 2015	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/ (Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Sale/Disc. Operate.	Minority Shares Except Total Equity	Minority Shares	Total Equity
I. Balances at the Beginning of the Period		652.290	-	-	-	196.002	-	1.975.770	271.511	(57.104)	-	7.336	-	-	(642)	-	3.045.163	-	3.045.163
Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences	(V-a)	-	-	-	-	-	-	-	-	-	-	8.802	-	-	-	-	8.802	-	8.802
IV. Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	8.081	-	8.081	-	8.081
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	8.081	-	8.081	-	8.081
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Valuation Differences due to Revaluation of Property and Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Valuation Differences due to Revaluation of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium	(V-d)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Paid in-Capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	(19.944)	-	-	-	-	-	-	-	(19.944)	-	(19.944)
XVII. Current Year Income or Loss		-	-	-	-	-	-	-	-	(325.071)	-	-	-	-	-	-	(325.071)	-	(325.071)
XVIII. Profit Distribution		-	-	-	-	3.601	-	(60.705)	-	57.104	-	-	-	-	-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	3.601	-	(60.705)	-	57.104	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the End of the Period (I+II++ XVIII)		652.290	-	-	-	199.603	-	1.915.065	251.567	(325.071)	-	16.138	-	-	7.439	-	2.717.031	-	2.717.031

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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED
31 DECEMBER 2015 AND 31 DECEMBER 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period (31/12/2015)	Prior Period (31/12/2014)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	(VI-a)	532.712	545.514
1.1.1	(VI-a)	2.316.727	2.654.964
1.1.2	(VI-a)	(1.228.804)	(1.361.714)
1.1.3		2.285	-
1.1.4		566.196	720.693
1.1.5		181.232	204.072
1.1.6		238.205	215.002
1.1.7	(VI-a)	(594.282)	(632.254)
1.1.8		(48.432)	(77.663)
1.1.9		(900.415)	(1.177.586)
1.2		(5.133.462)	(1.418.489)
1.2.1		(621.996)	179.621
1.2.2		-	-
1.2.3		(41.544)	30.436
1.2.4		(2.238.799)	(1.158.450)
1.2.5		(374.041)	937.815
1.2.6		(358.256)	(235.510)
1.2.7		408.378	1.644.738
1.2.8		(2.336.219)	(1.385.314)
1.2.9		-	-
1.2.10	(VI-a)	429.015	(1.431.825)
I.		(4.600.750)	(872.975)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities			
2.1		-	-
2.2		-	-
2.3		(12.457)	(29.411)
2.4		3.412	22.114
2.5		(868.228)	(4.189.603)
2.6		726.151	5.897.682
2.7		-	-
2.8		-	-
2.9		(19.340)	(26.647)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities			
3.1		-	-
3.2		-	-
3.3		-	-
3.4		-	-
3.5		-	-
3.6		-	-
IV.	(VI-a)	(2.498)	51.182
V.		(4.773.710)	852.342
VI.	(VI-d)	9.728.105	8.875.763
VII.	(VI-d)	4.954.395	9.728.105

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HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIODS ENDED
31 DECEMBER 2015 AND 31 DECEMBER 2014
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VII STATEMENT OF PROFIT DISTRIBUTION	Current Period (31/12/2015) (*)	Prior Period (31/12/2014) (**)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1. Current Year Income	(274.680)	(50.790)
1.2. Taxes And Duties Payable (-)	56.776	5.135
1.2.1. Corporate Tax (Income tax)	12.918	5.026
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and duties	43.858	109
A. NET INCOME FOR THE YEAR (1.1-1.2)	(331.456)	(55.925)
1.3. Prior Year Losses (-)	-	-
1.4. First Legal Reserves (-)	-	1.781
1.5. Other Statutory Reserves (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	(57.706)
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	-	(57.706)
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
II. DISTRIBUTION OF RESERVES		
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 (-)	-	-
III. EARNINGS PER SHARE (***)		
3.1. To Owners Of Ordinary Shares	(0,005081)	(0,000857)
3.2. To Owners Of Ordinary Shares (%)	-	-
3.3. To Owners Of Privileged Shares	-	-
3.4. To Owners Of Privileged Shares (%)	-	-
IV. DIVIDEND PER SHARE		
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 distribution for the year 2015.

(**) The profit distribution table belongs to prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2014 financial statement dated to 30 March 2015 and rearranged in this direction.

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

The accompanying explanations and notes set out on pages 15 to 86 form an integral part of these consolidated financial statements.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards, within the scope of interim reporting Turkish Accounting Standards 34 and Turkish Financial Reporting Standards (“IFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (all referred as “Reporting Standards”). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Group maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

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

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

The amendments of TAS and IFRS, except IFRS 9 Financial Instruments will come into force as of 01 January 2018, which have been effective as of reporting date have no impact on the accounting policies, financial position and performance of the Group.

b. Accounting policies and valuation principles applied in the 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

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HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

The Group applies advanced methods of the Group in daily market risk managing and control activities. In measuring the market risk and determining limits, 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 where value added decisions are made. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the Parent Bank’s exchange rates. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”, except for foreign currency non-performing loans and other foreign currency denominated non monetary assets and liabilities.

III. INFORMATION ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Group has no investments in associates as of 31 December 2015. HSBC Yatırım that is fully owned by the Bank, HSBC Portföy that is the subsidiary of HSBC Yatırım and HSBC Portföy that is the subsidiary of the HSBC Yatırım are taken into consolidation scope in accordance with the procedures listed in the “Communiqué related to the Regulation on the Preparation of the Financial Statements of the Banks” and the “Turkish Accounting Standard for Consolidated and Separate Financial Statements” (“TAS 27”) published in the Official Gazette No.26340 dated 8 November 2006.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

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

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VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

b. Financial assets available-for-sale:

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

c. Loans and receivables:

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

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

d. Investment securities held-to-maturity:

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially recognised at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognised in the income statement. As of 31 December 2015 and 31 December 2014, the Group has no investment securities held-to-maturity.

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VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

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

Securities subject to repurchase agreements are classified as “Financial assets at fair value difference through profit or loss” and “Available-for-sale securities” in the balance sheet according to the investment purposes and measured according to the portfolio of the Group to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. As of 31 December 2015 and 31 December 2014, funds given against securities purchased under agreements to resell (“Reverse repurchase agreements”) are accounted under “Receivables from reverse repurchase agreements” in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the effective interest rate method. The Group has no securities lending transactions. The Parent Bank has amounting to EUR 12.000 nominal government bonds as of 31 December 2015 that the Parent Bank has given as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş. (As of 31 December 2014 the Parent Bank has given government bonds as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş TL 40.500 nominal).

XI. EXPLANATIONS ON ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND LIABILITIES RELATED TO THOSE ASSETS

As of 31 December 2015 and 31 December 2014, the Group has no discontinued operations. Property and equipment held-for-sale consist of tangible assets that were acquired due to nonperforming receivables, and are accounted in the consolidated financial statements in accordance with “Communiqué Regarding the Principles and Procedures for the Disposals of Immovable and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated 1 November 2006, No.26333 and classified as assets held for sale.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

The Parent Bank purchased Benkar Tüketici Finansmanı A.Ş. in the year 2002. The useful life of the goodwill arising out of the merger of Benkar with the Bank on 26 December 2002 is determined as 10 years. Therefore, it is amortised until the end of October 2006 using the straight-line method. Regarding Article 4 of the “Communiqué on Principles and Procedure of Accounting Principles of Banks and Preservation of Documents” which was published by BRSA in the Official Gazette No. 26333 dated 1 November 2006, the Bank’s financial statements are prepared based on the Turkish Accounting Standards. Goodwill is tested annually or more frequently if the changes in environment indicates impairment, in line with “Turkish Accounting Standard for Impairment on Assets” (“TAS 36”). The Parent Bank has used discounted cash flow method for the most recent impairment test and reevaluated assumptions and estimations considering projections of the personal banking department. Calculated goodwill impairment was reflected on the income statement as of 2015 per the testing results (31 December 2014: None).

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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.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

XVI. EXPLANATIONS ON CONTINGENT ASSETS

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

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Group arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 4,95% (31 December 2014: 3,77%)

As of 31 December 2015, actuarial loss amounted to TL 21.126 (31 December 2014: TL 1.182 loss) is recognized under other income reserves in the financial statements.

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

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XVIII. EXPLANATIONS ON TAXATION

a. Current Tax:

According to the article no. 32 of “Corporate Tax Law” No. 5520 was published in the Official Gazette, No. 26205 dated 21 June 2006, the corporate tax rate is 20%. Corporate tax is calculated on the total income of the Group after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. An increase in capital via issuing bonus 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 forth month after the closing of the accounting year to which they relate.

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

The tax applications for foreign branches;

Turkish Republic of Northern Cyprus (“TRNC”)

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next seventeen days following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal 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 financial statements in accordance with “Income Taxes Standard” (“TAS 12”) and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax assets and liabilities are presented as net in the financial statements in accordance with TAS 12.

Based on it's best projections and budget and within the framework of TAS 12's relevant procedures, the Parent Bank has limited its deferred tax assets with its deferred tax liabilities and has booked its deferred tax receivables of TL 77.627 as of December 2015. Aforementioned assesment will be reevaluated and reperfomed on every following reporting date.

In cases where Parent Bank's final operating results differ from projections of current period, differences may effect available financial loss amount and deferred tax asset.

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XVIII. EXPLANATIONS ON TAXATION (Continued)

c. Transfer Pricing:

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

XIX. EXPLANATIONS ON BORROWING

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the consolidated financial statements enclosed, foreign currency borrowings are translated according to the Parent Bank’s period end counter buying exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the consolidated financial statements. As of 31 December 2015 and 31 December 2014, the Group has no marketable securities issued and convertible bonds.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 31 December 2015 and 31 December 2014, the Group has no issued share certificates.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 31 December 2015 and 31 December 2014, the Group has no government incentives.

XXIII. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XIII 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

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

	Current Period	Prior Period
	31 December 2015	31 December 2014
Net Profit for the Period	(325.071)	(57.104)
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	(0,004984)	(0,000875)

(*) Amounts are expressed in full TL.

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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 2015 and 31 December 2014 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 2015 capital adequacy ratios of the Group and the Parent Bank are 15,89% and 15,72% (31 December 2014: 15,25% and 15,07%) respectively. 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 6 September 2014 numbered 29111 and the "Communiqué on Equities of Banks" published on 5 September 2013 in the Official Gazette numbered 28756. Standard method is used for the calculation of market risk and basic indicator method is used for the calculation of operational risk.

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

c. Information related to consolidated capital adequacy ratio:

	31 December 2015								
	Consolidated - Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	4.609.636	-	625.393	2.510.461	5.423.626	14.280.765	1.419.502	936.170	43.544
Risk Classes									
Conditional and unconditional receivables from central governments or central banks	3.820.279	-	-	226.509	-	-	147.163	-	-
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	19.963	-	625.113	769.312	-	236.727	13.124	-	-
Conditional and unconditional receivables from corporate	165.574	-	-	-	-	12.803.017	-	-	-
Conditional and unconditional retail receivables	84.376	-	-	-	5.423.626	690.162	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	1.514.640	-	544	-	-	-
Past due receivables	364	-	-	-	-	356.485	124.669	-	-
Receivables defined in high risk category by BRSA	71.694	-	-	-	-	-	1.134.546	936.170	43.544
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	447.386	-	280	-	-	193.830	-	-	-

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

	31 December 2014 Consolidated - Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	4.547.568	-	1.647.073	2.417.241	5.903.827	12.344.389	1.526.447	1.559.001	525
Risk Classes									
Conditional and unconditional receivables from central governments or central banks	3.836.494	-	-	10	-	-	190.123	-	-
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	-	-	1.647.073	640.974	-	168.153	13.388	-	-
Conditional and unconditional receivables from corporate	219.870	-	-	-	-	10.967.121	-	-	-
Conditional and unconditional retail receivables	73.394	-	-	-	5.903.827	699.691	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	1.769.473	-	-	-	-	-
Past due receivables	451	-	-	6.784	-	343.957	132.364	-	-
Receivables defined in high risk category by BRSA	56.496	-	-	-	-	-	1.190.572	1.559.001	525
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	360.863	-	-	-	-	165.467	-	-	-

	31 December 2015 The Parent Bank's - Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	4.609.636	-	625.393	2.510.461	5.419.934	14.287.935	1.419.502	936.170	43.544
Risk Classes									
Conditional and unconditional receivables from central governments or central banks	3.820.279	-	-	226.509	-	-	147.163	-	-
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	19.963	-	625.113	769.312	-	216.837	13.124	-	-
Conditional and unconditional receivables from corporate	165.574	-	-	-	-	12.803.190	-	-	-
Conditional and unconditional retail receivables	84.376	-	-	-	5.419.934	690.162	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	1.514.640	-	544	-	-	-
Past due receivables	364	-	-	-	-	356.485	124.669	-	-
Receivables defined in high risk category by BRSA	71.694	-	-	-	-	-	1.134.546	936.170	43.544
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	447.386	-	280	-	-	220.717	-	-	-

	31 December 2014 The Parent Bank's - Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	4.547.568	-	1.647.073	2.417.241	5.901.799	12.341.753	1.526.447	1.559.001	525
Risk Classes									
Conditional and unconditional receivables from central governments or central banks	3.836.494	-	-	10	-	-	190.123	-	-
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	-	-	1.647.073	640.974	-	137.556	13.388	-	-
Conditional and unconditional receivables from corporate	219.870	-	-	-	-	10.967.157	-	-	-
Conditional and unconditional retail receivables	73.394	-	-	-	5.901.799	699.691	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	1.769.473	-	-	-	-	-
Past due receivables	451	-	-	6.784	-	343.957	132.364	-	-
Receivables defined in high risk category by BRSA	56.496	-	-	-	-	-	1.190.572	1.559.001	525
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other receivables	360.863	-	-	-	-	193.392	-	-	-

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

d. Summary information related to consolidated capital adequacy ratio:

	Current Period 31 December 2015 Consolidated	Current Period 31 December 2015 The Parent Bank's
Capital requirement for credit risk (Amount subject to credit risk * 0,08) (I)	1.907.140	1.907.492
Capital requirement for market risk (II)	103.507	103.229
Capital requirement for operational risk (III)	264.622	259.888
Shareholders' Equity	4.519.699	4.463.084
Shareholders' Equity / ((I+II+III)*12,5*100)	15,89	15,72
Core Capital/((I+II+III) *12,5*100)	9,36	9,18
Tier I Capital/((I+II+III) *12,5*100)	9,36	9,18
	Prior Period 31 December 2014 Consolidated	Prior Period 31 December 2014 The Parent Bank's
Capital requirement for credit risk (Amount subject to credit risk * 0,08) (I)	1.897.543	1.897.210
Capital requirement for market risk (II)	82.600	90.866
Capital requirement 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

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders’ equity items:

	Current Period	Prior Period
	31 December 2015	31 December 2014
TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	652.290
Share Premium	-	-
Share Cancellation Profits	-	-
Legal Reserves	2.062.290	2.387.361
Other Comprehensive Income according to TAS	16.138	5.512
Profit	-	-
Net Current Period Profit	-	-
Prior Period Profit	-	-
Provisions for Possible Losses	-	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	-	-
Tier I Capital Before Deductions	2.730.718	3.045.163
Deductions From Tier I Capital		
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	21.126	-
Leasehold Improvements on Operational Leases (-)	15.148	18.345
Goodwill and Intangible Assets and Related Deferred Tax Liabilities (-)	32.098	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 1 due to insufficient Additional Tier 1 and Tier 2 to cover deduction (-)	-	-
Total regulatory adjustments to Tier I capital	68.372	135.561
Tier I capital	2.662.346	2.909.602
ADDITIONAL CORE CAPITAL		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-	-
Additional Core Capital before Deductions	-	-
Deductions from Additional Core Capital		
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Additional Core Capital in cases where there are no adequate Tier II Capital (-)	-	-
Total Deductions from Additional Core Capital	-	-
Total Additional Core Capital	-	-

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	Current Period 31 December 2015	Prior Period 31 December 2014
Deductions from Core Capital		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Total Core Capital	2.662.346	2.909.602
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued Or Obtained before 1.1.2014)	1.589.676	1.072.643
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-	-
General Provisions	297.991	296.491
Tier II Capital before Deductions	1.887.667	1.369.134
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be Defined by the BRSA (-)	24.746	11.950
Total Deductions from Tier II Capital	24.746	11.950
Total Tier II Capital	1.862.921	1.357.184
CAPITAL	4.525.267	4.266.786
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	249	291
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	141	141
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	5.178	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 (-)	-	-
EQUITY	4.519.699	4.257.739
Amounts lower than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Tier I Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

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.

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 revaluation of the risk. Risk monitoring and sectoral based customer group limitations are conducted. The limitations which are determined for a specific risk group are determined in accordance with Banking Regulation and other relevant regulations. Loan usages are monitored instantly by the system. The credits depending on a risk group are also evaluated in the consolidated financial tables. Loan proposal are considered once in a year, however, for the non performing loans 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.

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II EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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.

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. In normal situations, credit ratings made as CRR 6.0 are temporary and expected to change in maximum 18 months. Cash collateral credits can be given as an example of exception.

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.
- In some cases that risk is evaluated to be in restructuring, provisions may not be booked for related risks even the risks are in the scope of CRR 9.0 classification.

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 Risk Amount	Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	4.193.951	3.818.991
Conditional and unconditional exposures to regional governments or local authorities	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	1.664.239	3.557.144
Conditional and unconditional exposures to corporates	12.968.591	12.409.481
Conditional and unconditional retail exposures	6.198.164	6.455.766
Conditional and unconditional exposures secured by real estate property	1.515.184	1.784.087
Past due receivables	481.518	486.437
Receivables defined in high risk category by BRSA	2.185.954	2.589.085
Exposures in the form of bonds secured by mortgages	-	-
Securitization Positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other receivables	641.496	631.270
Total	29.849.097	31.732.261

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 2015, the Parent Bank has TL 79 (31 December 2014: TL 102) 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 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Letters of Guarantee	-	-	16	-
Prefinancing Loans	-	-	-	-
Commercial Letter of Credit Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Bad Check Payments	79	-	86	-
Other Liabilities	-	-	-	-
Total	79	-	102	-

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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 and 200 cash loan balances in total cash loans: 31% and 40% (31 December 2014: 25% and 34%).**

The proportion of the Group’s top 100 and 200 non-cash loan balances in total non-cash loans: 89% and 96% (31 December 2014: 83% and 94%).

The proportion of the Group’s cash and non-cash loan balances with the first 100 and 200 customers comprises of total cash loans and non-cash loans: 33% and 43% (31 December 2014: 27% and 37%).

- g. General loan loss provision booked by the Bank: TL 457.075 (31 December 2014: TL 362.405).**

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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 2015																	
Domestic	4.046.788	-	-	-	-	1.034.400	12.765.896	6.165.128	1.499.185	477.463	2.185.108	-	-	-	-	641.226	28.815.194
European Union Countries	-	-	-	-	-	215.438	109.011	5.771	7.413	62	132	-	-	-	-	-	337.827
OECD Countries (*)	-	-	-	-	-	129.217	-	107	493	-	78	-	-	-	-	-	129.895
Off – shore Countries	-	-	-	-	-	2.005	-	-	-	-	-	-	-	-	-	-	2.005
USA, Canada	-	-	-	-	-	11.433	16.835	668	1.200	1	53	-	-	-	-	-	30.190
Other Countries	147.163	-	-	-	-	271.746	76.849	26.490	6.893	3.992	583	-	-	-	-	-	533.716
Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	270	270
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	4.193.951	-	-	-	-	1.664.239	12.968.591	6.198.164	1.515.184	481.518	2.185.954	-	-	-	-	641.496	29.849.097

(*) 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 exposures to central governments or central banks
- 2 Conditional and unconditional exposures to regional governments or local authorities
- 3 Conditional and unconditional receivables from administrative units and non-commercial enterprises
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- 5 Conditional and unconditional exposures to international organisations
- 6 Conditional and unconditional exposures to banks and brokerage houses
- 7 Conditional and unconditional exposures to corporates
- 8 Conditional and unconditional retail exposures
- 9 Conditional and unconditional exposures secured by real estate property
- 10 Past due receivables
- 11 Receivables defined in high risk category by BRSA
- 12 Exposures in the form of bonds secured by mortgages
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- 14 Short term exposures to banks, brokerage houses and corporates
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- 16 Other receivables

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

Prior 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	28.416.849
European Union Countries	-	-	-	-	-	293.070	83.174	4.991	10.989	80	209	-	-	-	-	-	392.513
OECD Countries (*)	-	-	-	-	-	43.393	-	215	479	-	150	-	-	-	-	-	44.237
Off – shore Countries	-	-	-	-	-	5.116	-	-	-	-	-	-	-	-	-	-	5.116
USA, Canada	-	-	-	-	-	360.278	20.309	548	1.684	-	48	-	-	-	-	-	382.867
Other Countries	190.123	-	-	-	-	363.484	95.827	22.660	26.696	4.801	628	-	-	-	-	-	704.219
Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	270	270
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	4.026.627	-	-	-	-	2.469.588	11.186.991	6.676.912	1.769.473	483.556	2.806.594	-	-	-	-	526.330	29.946.071

(*) 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 exposures to central governments or central banks
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- 5 Conditional and unconditional exposures to international organisations
- 6 Conditional and unconditional exposures to banks and brokerage houses
- 7 Conditional and unconditional exposures to corporates
- 8 Conditional and unconditional retail exposures
- 9 Conditional and unconditional exposures secured by real estate property
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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

i. Risk Profile according to sectors and counterparties:

Current Period 31 December 2015 Sectors/Counterparties	Risk Categories (*)																TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
Agricultural	-	-	-	-	-	-	145.105	9.408	856	2.401	-	-	-	-	-	-	59.486	98.284	157.770
Farming and raising livestock	-	-	-	-	-	-	82.680	6.919	603	2.144	-	-	-	-	-	-	53.419	38.927	92.346
Forestry	-	-	-	-	-	-	33.963	1.944	253	257	-	-	-	-	-	-	5.803	30.614	36.417
Fishing	-	-	-	-	-	-	28.462	545	-	-	-	-	-	-	-	-	264	28.743	29.007
Industry	-	-	-	-	-	-	7.605.765	344.331	227.062	123.045	2.720	-	-	-	-	-	3.340.679	4.962.244	8.302.923
Mining	-	-	-	-	-	-	105.743	12.322	5.764	317	-	-	-	-	-	-	19.464	104.682	124.146
Production	-	-	-	-	-	-	7.355.952	329.749	221.254	122.654	2.716	-	-	-	-	-	3.296.503	4.735.822	8.032.325
Electricity, Gas, Water	-	-	-	-	-	-	144.070	2.260	44	74	4	-	-	-	-	-	24.712	121.740	146.452
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	4.193.951	-	-	-	-	1.664.239	4.190.313	172.577	333.436	33.805	10.358	-	-	-	-	-	2.840.806	7.757.873	10.598.679
Wholesale and retail trade	-	-	-	-	-	-	2.014.587	117.736	74.045	23.288	5.461	-	-	-	-	-	1.040.282	1.194.835	2.235.117
Hotel and beverage service	-	-	-	-	-	-	410.642	7.016	14.178	860	77	-	-	-	-	-	21.835	410.938	432.773
Transportation and telecommunication	-	-	-	-	-	-	809.675	22.801	12.944	2.150	1.927	-	-	-	-	-	116.050	733.447	849.497
Financial Institutions	4.193.951	-	-	-	-	1.664.239	132.278	305	100.612	2	8	-	-	-	-	-	1.523.736	4.567.659	6.091.395
Real estate and lending service	-	-	-	-	-	-	817.880	21.709	131.375	7.450	2.880	-	-	-	-	-	134.261	847.033	981.294
Self employment service	-	-	-	-	-	-	699	-	-	-	-	-	-	-	-	-	699	-	699
Education Service	-	-	-	-	-	-	394	698	282	52	-	-	-	-	-	-	1.063	363	1.426
Health and financial service	-	-	-	-	-	-	4.158	2.312	-	3	5	-	-	-	-	-	2.880	3.598	6.478
Other	-	-	-	-	-	-	1.027.408	5.671.848	953.830	322.267	2.172.876	-	-	-	-	641.496	9.303.130	1.486.595	10.789.725
TOTAL	4.193.951	-	-	-	-	1.664.239	12.968.591	6.198.164	1.515.184	481.518	2.185.954	-	-	-	-	641.496	15.544.101	14.304.996	29.849.097

(*) 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)

Prior Period 31 December 2014 Sectors/Counterparties	Risk Categories (*)																TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16			
Agricultural	-	-	-	-	-	-	182.989	15.009	6.136	1.598	70	-	-	-	-	-	112.908	92.894	205.802
Farming and raising livestock	-	-	-	-	-	-	155.433	13.053	5.541	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	270.263	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	-	-	-	-	-	-	-	2.597.568	4.355.210	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	-	-	-	-	526.330	10.437.719	1.158.141	11.595.860
TOTAL	4.026.627	-	-	-	-	2.469.588	11.186.991	6.676.912	1.769.473	483.556	2.806.594	-	-	-	-	526.330	17.676.167	12.269.904	29.946.071

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

- 1 Conditional and unconditional exposures to central governments or central banks
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- 5 Conditional and unconditional exposures to international organisations
- 6 Conditional and unconditional exposures to banks and brokerage houses
- 7 Conditional and unconditional exposures to corporates
- 8 Conditional and unconditional retail exposures
- 9 Conditional and unconditional exposures secured by real estate property
- 10 Past due receivables
- 11 Receivables defined in high risk category by BRSA
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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 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	
Conditional and unconditional exposures to central governments or central banks	3.425.336	140.397	-	-	628.218	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	658.722	308.962	209.471	169.648	317.436	-
Conditional and unconditional exposures to corporates	1.841.945	1.781.262	2.230.583	3.079.551	4.035.250	-
Conditional and unconditional retail exposures	2.567.323	285.917	926.429	525.761	1.892.734	-
Conditional and unconditional exposures secured by real estate property	32.872	50.697	88.764	104.833	1.238.018	-
Past due receivables	-	-	-	-	-	481.518
Receivables defined in high risk category by BRSA	-	-	-	119.579	2.066.375	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Securitization Positions	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-
Other receivables	605.649	-	-	-	35.577	270
TOTAL	9.131.847	2.567.235	3.455.247	3.999.372	10.213.608	481.788

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	
			Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months
1	Aaa Aa1 Aa2 Aa3	0%	20%	20%
2	A1 A2 A3	20%	20%	50%
3	Baa1 Baa2 Baa3	50%	20%	50%
4	Ba1 Ba2 Ba3	100%	50%	100%
5	B1 B2 B3	100%	50%	100%
6	Caa1 Caa2 Caa3 Ca 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	4.284.468	-	625.393	998.985	6.481.817	14.974.482	1.472.137	968.271	43.544	-	5.568
2. Amount After Credit Risk Mitigation	4.609.636	-	625.393	2.510.461	5.423.626	14.280.765	1.419.502	936.170	43.544	-	5.568

m. Definitions of the non-performing and impaired factors in accounting application:

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette numbered 26333 dated 1 November 2006 which was amended with the communiqué published in the Official Gazette numbered 28906 dated 7 February 2014; Non-required delay time Loans that is not classified as Group III Loans, whose principal and interest payment collection delayed more than 30 days are considered as Non-Performing Loan in the Accounting Practice; group III, IV and V loans defined on the mentioned communiqué are considered as impaired receivables without considering refinancing or addition accrued interest and quasi-interest loading to principal.

The Parent Bank provides specific reserves to Group III, IV and V loans in accordance with “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”

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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(***)
Agricultural	4.706	711	15	2.176
Farming and raising livestock	3.359	333	7	1.147
Forestry	1.315	344	7	1.000
Fishing	32	34	1	29
Industry	249.270	334.313	12.009	124.988
Mining	5.987	24.341	613	5.563
Production	243.048	309.468	11.386	119.274
Electricity, Gas, Water	235	504	10	151
Construction	15.887	43.065	1.685	8.153
Services	81.116	142.751	4.491	48.918
Wholesale and retail trade	60.376	99.509	3.175	35.087
Hotel and beverage service	2.262	10.112	372	1.256
Transportation and telecommunication	8.543	12.937	328	6.236
Financial Institutions	278	847	5	244
Real estate and lending service	168	57	1	143
Self employment service	7.585	9.272	266	4.762
Education Service	303	1.015	44	237
Health and financial service	1.601	9.002	300	953
Other	894.106	350.429	27.581	601.767
Total	1.245.085	871.269	45.781	786.002

(*) Close monitoring amounts.

(**) General provisions that are provided for non-performing loans.

(***) Specific provisions that are provided for decreased-in-value loans.

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	763.007	586.955	563.960	-	786.002
General Provisions	362.405	94.670	-	-	457.075

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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 Loans	Credit Cards	Total
1 January 2015	154.345	197.166	411.496	763.007
Transferred during the period	80.112	193.018	313.825	586.955
Collection during the period	15.296	31.524	49.245	96.065
Write-off/sold	32.426	124.281	311.188	467.895
31 December 2015	186.735	234.379	364.888	786.002

	Commercial Loans	Consumer Loans	Credit Cards	Total
1 January 2014	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
31 December 2014	154.345	197.166	411.496	763.007

r. Information on types of loans and provisions:

	Commercial Loans	Consumer Loans	Credit Cards	Total
Current Period - 31 December 2015				
Standard loans	12.686.708	3.958.777	3.103.135	19.748.620
Close monitoring loans	520.950	159.474	190.845	871.269
Non performing loans	348.272	383.963	512.850	1.245.085
The specific provision (-)	186.734	234.381	364.887	786.002
Total	13.369.196	4.267.833	3.441.943	21.078.972

	Commercial Loans	Consumer Loans	Credit Cards	Total
Prior Period- 31 December 2014				
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
Non performing loans	330.850	325.196	584.574	1.240.620
The specific provision (-)	154.345	197.166	411.496	763.007
Total	10.816.357	5.035.819	3.662.190	19.514.366

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

	Current Period 31 December 2015 Collateral Value	Prior Period 31 December 2014 Collateral Value
Mortgages	484.578	416.550
Pledged Vehicle	6.039	6.634
Cheques and Notes	2.273	274
Cash	471	562
Total	493.361	424.020

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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 Parent Bank’s Board of Directors for market risk, the methods used for measuring market risk and time intervals for measurement of market risk:**

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

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

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

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

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

Information on Consolidated Market Risk:

		31 December 2015	31 December 2014
		Amount	Amount
(I)	Capital requirement for General Market Risk - Standard Method	37.330	19.920
(II)	Capital requirement for Specific Risk - Standard Method	2.354	1.383
(III)	Capital requirement for specific risk in securitisation positions - Standard Method	-	-
(IV)	Capital requirement for Currency Risk - Standard Method	12.975	30.622
(V)	Capital requirement for Commodity Risk - Standard Method	-	-
(VI)	Capital requirement for Exchange Risk - Standard Method	-	-
(VII)	Capital requirement for Market Risk Due to Options - Standard Method	293	54
(VIII)	Capital requirement for counterparty credit risk - Standard Method	50.555	30.621
(IX)	Total Capital requirement for Market Risk for Banks Applying Risk Measurement Model	-	-
(X)	Total Capital requirement for Market Risk (I+II+III+IV+V+VI+VII+VIII)	103.507	82.600
(XI)	Amount Subject to Market Risk (12,5xIX) or (12,5xX)	1.293.838	1.032.500

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

	Current Period			Prior Period		
	31 December 2015			31 December 2014		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	37.035	57.795	29.429	25.748	32.070	19.101
Share Certificates Risk	2.919	4.017	1.029	2.942	4.609	1.074
Currency Risk	33.194	54.779	12.975	19.934	42.657	6.561
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	300	456	127	51	61	43
Counterparty Credit Risk	53.949	72.120	39.890	32.949	55.319	23.094
Total Amount Subject to Risk	127.397	189.167	83.450	81.624	134.716	49.873

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III EXPLANATIONS ON CONSOLIDATED MARKET RISK (Continued)

b. Information related to counterparty credit risk:

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance with “the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks” published in the Official Gazette no. 29057 dated 11 July 2014.

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 31 December 2015	Prior Period 31 December 2014
Foreign Currency Based Contracts	35.064.376	47.446.363
Interest Rate Based Contracts	11.895.979	5.475.488
Offsetting Current Risk Amount	1.353.471	1.249.400
Net Positions on Derivatives	1.353.471	1.249.400
Positive Fair Value Gross Amount	466.802	583.161

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 2014, 2013 and 2012 in accordance to the “Regulation Regarding Measurement and Evaluation of the Bank’s Capital Adequacy Ratio” published in the Official Gazette No.29111 dated 6 September 2014. In the scope of “Capital adequacy ratio” stated in Note I of this section, amount subjected to operational risk is TL 3.307.776 represented risk weighted assets for operational risk and 8% of that amount is TL 264.622 represented related capital requirement.

Current Period	31.12.2012	31.12.2013	31.12.2014	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1.678.514	1.891.417	1.722.512	1.764.147	15	264.622
Value at Operational Risk (Total*12,5)						3.307.776

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

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK

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

In foreign currency risk management, the Group, makes tiny distinctions and generally attentive to not taking long position when organizing the currency risk. In organizing foreign currency positions, the Parent Bank’s 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:

Current Period - 31 December 2015	USD (\$)	Euro (€)
Balance Sheet Date		
Parent Bank’s Evaluation Rate	2,9190	3,1767
Prior Balance Sheet Date		
30 December 2015	2,9159	3,1839
29 December 2015	2,9090	3,1797
28 December 2015	2,9209	3,1971
25 December 2015	2,9209	3,1971
24 December 2015	2,9209	3,1971
Prior Period - 31 December 2014	USD (\$)	Euro (€)
Balance Sheet Date		
Parent Bank’s Evaluation Rate	2,3330	2,8340
Prior Balance Sheet Date		
30 December 2014	2,3278	2,8337
29 December 2014	2,3218	2,8305
26 December 2014	2,3254	2,8373
25 December 2014	2,3254	2,8373
24 December 2014	2,3254	2,8373

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

As of December 2015 The Parent Bank’s simple arithmetic average foreign exchange rates for USD is TL 2,9209 (December 2014: TL 2,2974) and exchange rates for Euro TL 3,1842 (December 2014: TL 2,8290).

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

f. Information related to Group’s Currency Risk:

Current Period - 31 December 2015	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	604.552	1.867.289	590.135	3.061.976
Banks	17.947	381.325	38.091	437.363
Financial Assets at Fair Value through Profit or Loss (Net)	186.786	99.548	15.205	301.539
Interbank Money Market Placements	57.181	1.331.615	12	1.388.808
Available-for-sale Financial Assets (Net)	25.410	-	-	25.410
Loans (*)	4.760.544	4.237.106	78.304	9.075.954
Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)	-	-	-	-
Held-to-maturity Investments (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	120.371	13.709	5.166	139.246
Total Assets	5.772.791	7.930.592	726.913	14.430.296
Liabilities				
Bank Deposits	29	8.932	36	8.997
Foreign Currency Deposits	2.941.934	6.216.726	1.064.485	10.223.145
Funds from Interbank Money Market	-	-	-	-
Borrowings	2.646.392	3.733.808	17	6.380.217
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	246.238	5.152	96	251.486
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	173.859	132.259	52.638	358.756
Total Liabilities	6.008.452	10.096.877	1.117.272	17.222.601
Net on Balance Sheet Position	(235.661)	(2.166.285)	(390.359)	(2.792.305)
Net Off-Balance Sheet Position	227.513	2.260.465	383.933	2.871.911
Financial Derivative Assets	7.141.977	14.868.200	1.212.471	23.222.648
Financial Derivative Liabilities	6.914.464	12.607.735	828.538	20.350.737
Non-cash Loans	616.048	1.603.840	46.505	2.266.393
Prior Period - 31 December 2014				
Total Assets	3.391.006	6.318.966	685.312	10.395.284
Total Liabilities	3.973.280	10.425.151	1.082.322	15.480.753
Net on-Balance Sheet Position	(582.274)	(4.106.185)	(397.010)	(5.085.469)
Net off-Balance Sheet Position	578.245	3.776.662	691.567	5.046.474
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

(*) As of 31 December 2015, loans consists of foreign indexed loans amounting to TL 2.544.252 (31 December 2014: TL 1.951.429) and foreign factoring receivables amounting to TL 47.236 (31 December 2014: TL 15.793).

(**) As of 31 December 2015, other assets do not consist of prepaid expenses amounting to TL 650 (31 December 2014: TL 79).

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

As of 31 December 2015 and 31 December 2014, 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 31 December 2015		Prior Period 31 December 2014	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	9.418	9.418	(32.952)	(32.952)
Euro	(815)	(815)	(403)	(403)
Other	(642)	(642)	29.456	29.456
Total	7.961	7.961	(3.899)	(3.899)

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

As of 31 December 2015 and 31 December 2014, 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.

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

There is an interest sensitivity gap at the balance sheet of Bank in the sort-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 2015	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Demand	Total
Assets							
Cash Equivalents and Central Bank	2.420.133	-	-	-	-	974.341	3.394.474
Banks	358.792	-	-	-	-	156.856	515.648
Financial Assets at Fair Value Through Profit or Loss (Net)	261.321	705.071	373.753	289.708	37.232	5.182	1.672.267
Interbank Money Market Placements	3.879.540	-	-	-	-	-	3.879.540
Financial Assets Available-for-Sale (Net)	104	-	-	580.296	44.082	29.795	654.277
Loans (*)	8.000.651	1.562.106	4.112.510	5.949.772	994.850	459.083	21.078.972
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	12.149	8.517	-	-	-	457.002	477.668
Total Assets	14.932.690	2.275.694	4.486.263	6.819.776	1.076.164	2.082.259	31.672.846
Liabilities							
Bank Deposits	19.521	-	-	-	-	58.240	77.761
Other deposits	12.877.144	2.523.809	234.429	4.723	-	3.298.909	18.939.014
Funds from Interbank Money Market	790.709	-	-	-	-	-	790.709
Miscellaneous Payables	-	-	-	-	-	655.634	655.634
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	2.394.431	3.948.107	420.837	211.119	-	28.108	7.002.602
Other Liabilities (**)	84.971	82.214	146.491	650.498	1.583	3.241.369	4.207.126
Total Liabilities	16.166.776	6.554.130	801.757	866.340	1.583	7.282.260	31.672.846
Balance Sheet Long Position	-	-	3.684.506	5.953.436	1.074.581	-	10.712.523
Balance Sheet Short Position	(1.234.086)	(4.278.436)	-	-	-	(5.200.001)	(10.712.523)
Off Balance Sheet Long Position	53.325	304.916	167.559	96.363	-	-	622.163
Off Balance Sheet Short Position	-	-	-	-	(1.795)	-	(1.795)
Total Position	(1.180.761)	(3.973.520)	3.852.065	6.049.799	1.072.786	(5.200.001)	620.368

(*) Loans consist of factoring transactions amounting to TL 584.068.

(**) Shareholders' equity is presented under "Other liabilities" item in "Demand".

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period - 31 December 2014	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Demand	Total
Assets							
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
Total Assets	17.995.615	4.251.337	4.181.138	3.982.780	1.189.844	2.262.269	33.862.983
Liabilities							
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
Total Liabilities	18.560.804	4.251.302	2.805.736	904.344	40.932	7.299.865	33.862.983
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)
Total Position	(555.569)	(35.052)	1.432.794	3.085.266	1.148.912	(5.037.596)	38.755

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

(**) Shareholders' equity is presented under "Other liabilities" item in "Demand".

b. Effective average interest rates for monetary financial instruments:

Current Period - 31 December 2015	Euro	US Dollar	Other FC	TL
Assets				
Cash Equivalents and Central Bank	-	0,49	-	1,81
Banks	-	0,37	-	10,89
Financial Assets at Fair Value Through Profit or Loss (Net)	5,17	6,58	-	9,33
Interbank Money Market Placements	0,03	0,38	-	10,74
Financial Assets Available-for-Sale (Net)	-	-	-	9,15
Loans	3,36	3,68	-	14,17
Liabilities				
Bank Deposits	-	-	-	6,48
Other Deposits	0,95	1,66	1,23	10,35
Funds From Interbank Money Market	-	-	-	7,50
Funds Borrowed	1,78	3,16	-	14,53
Prior Period - 31 December 2014				
Assets				
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
Liabilities				
Bank Deposits	-	0,45	-	11,24
Other Deposits	1,12	1,35	0,90	9,30
Funds From Interbank Money Market	-	-	-	8,25
Funds Borrowed	1,71	1,72	-	10,06

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

c. Interest rate risk on banking book:

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

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

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

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

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

31 December 2015	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TRY	500	(292.774)	(6,56)%
2. TRY	(400)	297.586	6,67%
3. EURO	200	(74.446)	(1,67)%
4. EURO	(200)	126	0,00%
5. USD	200	(76.106)	(1,71)%
6. USD	(200)	59.839	1,34%
Total (of negative shocks)		357.551	8,01%
Total (of positive shocks)		(443.326)	(9,94)%

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

d. Position risk of equity securities in banking book:

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

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

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

None.

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK

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

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

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

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

In addition to that, current and planned liquidity positions of bank is tracked at tactical ALCO meetings with the participation of business representatives at least on weekly basis and business line representatives are informed in order to be taken of necessary actions. The aim of these meetings is to ensure that the negative net cash flow of the bank liquidity will not occur and be managed in a way that will not lead to excess limits by comparing the current situation regarding to the balance sheet structure of business line with the approved limit usage of strategic funding plans and liquidity.

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

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

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

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

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

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

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

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VII EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

Information on liquidity risk mitigation techniques:

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

Explanation of the usage of stress test:

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

General Information on liquidity emergency and contingency plans:

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

a. Liquidity coverage rate:

The change in matters that impact liquidity coverage rate and units that are used for the calculation of the ratio:

Liquidity coverage rate is calculated by dividing high quality liquid assets that Bank owns to net cash outflows with maturity of 1 month. Reserve requirements kept by CBT, reverse repurchase agreements, securities that are not subject to repurchase/collateral held for providing liquidity, corporate and bank deposits that may cause high cash outflows, non-deposit borrowings that are became due and receivables from banks form the most important components to affect the results of liquidity coverage rate because of being liquid assets, having high volume in net cash outflows and having high rate of consideration.

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

- Changes in reserve requirements because of using FC reserve option in reserve requirement accounts kept by CBT.
- Transfer of the short-term liquidity to Money markets instead of debt instruments issued by CBT based on market conditions.
- Fluctuation of bank and corporate deposits that are highly considered in fund resources.
- Fluctuations that may occur due to the aging of non-deposit borrowings.
- Less than 1 month remaining maturity of cash inflows/outflows resulted specifically from FC derivative transactions.

Explanation regarding the components of high quality liquid assets:

High quality liquid assets are consisted of cash, effective depot, cheques purchased, time and demand deposit by CBT, overnight borrowing provided to banks via CBT in Interbank Money Market, reverse repurchase transactions and securities that are not subject to repurchase/collateral for providing liquidity.

Components density of fund resources in all funds:

The Parent Bank’s founding sources are consisted of real person and retail deposit, corporate bank deposits, repurchase agreements and borrowings. Deposits that are used for founding consists 60% of total liabilities.

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

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

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VII EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

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

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

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

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

	Total value to which the consideration ratio is not applied (*)		Total value to which the consideration ratio is applied (*)	
	TL+FC	FC	TL+FC	FC
Current Period - 31/12/2015				
High Quality Liquid Assets				
High Quality Liquid Assets			4.524.540	3.225.413
Cash Outflows				
Real person and retail deposits	14.060.614	7.417.264	1.122.866	646.599
Stable deposits	5.663.907	1.902.556	283.195	95.128
Less stable deposits	8.396.707	5.514.708	839.671	551.471
Unsecured debts other than real person and retail deposits	6.666.197	3.653.874	3.492.259	1.700.971
Operational deposits	141.665	-	7.083	-
Non-operational deposits	643.116	302.539	374.031	134.905
Other unsecured debts	5.881.416	3.351.335	3.111.145	1.566.066
Secured debts	-	-	-	-
Other cash outflows	-	33.393	-	33.393
Derivative liabilities and collateral completion liabilities	-	33.393	-	33.393
Debts related to structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-balance sheet liabilities	-	-	-	-
Other off-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	7.819.429	373.458	390.971	18.673
Other irrevocable or revocable (based on conditions) off-balance sheet debts	958.617	-	287.585	-
TOTAL CASH OUTFLOWS			5.293.681	2.399.635
Cash inflows				
Secured receivables	-	-	-	-
Unsecured receivables	4.946.316	2.242.426	3.730.286	2.096.087
Other cash inflows	415.177	1.012.780	415.177	1.012.780
TOTAL CASH INFLOWS	5.361.493	3.255.206	4.145.463	3.108.867
			Values to which the upper limit is applied	
Total High Quality Liquid Assets Inventory			4.967.784	2.278.213
Total Net Cash Outflows			1.323.420	599.909
Liquidity Coverage Ratio (%)			375%	380%

(*) Simple arithmetic average of the last 3 months data calculated by using monthly simple arithmetic averages

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

Liquidity Coverage Rates for the last 3 months of 2015 are shown in the table below:

Period	TL+FC	FC
31 October 2015	276,02%	273,72%
30 November 2015	317,82%	331,17%
31 December 2015	250,68%	571,88%

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

Current Period - 31 December 2015	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated	Total
Assets								
Cash Equivalents and Central Bank Banks	564.103	2.830.371	-	-	-	-	-	3.394.474
Financial Assets at Fair Value through Profit or Loss (Net)	5.182	223.779	540.475	376.945	442.686	83.200	-	1.672.267
Interbank Money Market Placements	-	3.879.540	-	-	-	-	-	3.879.540
Financial Assets Available-for-Sale (Net)	-	104	-	-	580.296	44.082	29.795	654.277
Loans (*)	-	5.461.361	2.813.740	5.173.296	6.139.143	1.032.349	459.083	21.078.972
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	86.100	-	12.399	162.851	-	216.318	477.668
Total Assets	726.141	12.840.047	3.354.215	5.562.640	7.324.976	1.159.631	705.196	31.672.846
Liabilities								
Bank Deposits	58.240	19.521	-	-	-	-	-	77.761
Other Deposits	3.298.909	12.877.144	2.523.809	234.429	4.723	-	-	18.939.014
Funds Borrowed	28.108	11.716	345.634	1.508.753	3.457.047	1.651.344	-	7.002.602
Funds from Interbank Money Market	-	790.709	-	-	-	-	-	790.709
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	505.470	90.567	58.234	948	-	415	655.634
Other Liabilities (***)	-	68.994	61.911	237.532	564.275	33.045	3.241.369	4.207.126
Total Liabilities	3.385.257	14.273.554	3.021.921	2.038.948	4.026.993	1.684.389	3.241.784	31.672.846
Net Liquidity Gap	(2.659.116)	(1.433.507)	332.294	3.523.692	3.297.983	(524.758)	(2.536.588)	-
Prior Period - 31 December 2014								
Total Assets	1.186.266	16.971.979	2.842.631	4.259.511	6.113.578	1.575.077	913.941	33.862.983
Total Liabilities	3.257.926	18.393.979	3.012.634	1.585.531	3.051.062	1.113.771	3.448.080	33.862.983
Net Liquidity Gap	(2.071.660)	(1.422.000)	(170.003)	2.673.980	3.062.516	461.306	(2.534.139)	-

(*) As of 31 December 2015, loans include the factoring receivables amounting to TL 584.068. (31 December 2014: TL 178.305).

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

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

c. Breakdown of liabilities according to their remaining contractual maturities

Current Period - 31 December 2015	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Total
Bank Deposits	77.761	-	-	-	-	77.761
Other Deposits	16.219.722	2.540.566	239.793	5.118	-	19.005.199
Funds Provided Under Repurchase Agreements	790.709	-	-	-	-	790.709
Borrowings	39.824	345.634	1.508.753	3.457.047	1.651.344	7.002.602
Total	17.128.016	2.886.200	1.748.546	3.462.165	1.651.344	26.876.271
Prior Period - 31 December 2014						
Bank Deposits	436.427	-	-	-	-	436.427
Other Deposits	16.314.882	1.973.544	341.683	23.569	-	18.653.678
Funds Provided Under Repurchase Agreements	395.657	-	-	-	-	395.657
Borrowings	4.394.332	370.679	973.522	2.758.345	1.073.262	9.570.140
Total	21.541.298	2.344.223	1.315.205	2.781.914	1.073.262	29.055.902

d. Information on securitisation positions:

None.

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDTY RISK (Continued)

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

Current Period - 31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over	Total
Derivatives held for trading						
Foreign exchange derivatives:						
- Inflow	8.960.892	5.095.703	8.202.128	3.319.577	7.715	25.586.015
- Outflow	8.944.303	4.947.893	7.981.453	3.082.489	9.511	24.965.649
Interest rate derivatives:						
- Inflow	17.514	458.116	1.742.695	4.945.401	2.515.175	9.678.901
- Outflow	17.514	458.116	1.742.695	4.945.401	2.515.175	9.678.901
Total Inflow	8.978.406	5.553.819	9.944.823	8.264.978	2.522.890	35.264.916
Total Outflow	8.961.817	5.406.009	9.724.148	8.027.890	2.524.686	34.644.550

Prior Period - 31 December 2014	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over	Total
Derivatives held for trading						
Foreign exchange derivatives:						
- 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
Interest rate derivatives:						
- Inflow	-	-	-	3.384.885	2.090.703	5.475.588
- Outflow	-	-	-	3.384.885	2.090.703	5.475.588
Total Inflow	11.603.566	13.201.093	12.756.735	7.454.928	2.964.286	47.980.608
Total Outflow	11.622.011	13.174.978	12.775.634	7.330.766	2.807.287	47.710.676

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:

The 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:

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

c. Types of collaterals received:

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

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

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.

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VIII EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES (Continued)

f. Collaterals based on risk classifications:

Risk Classifications	Balance	Financial Guarantees	Other/Physical Guarantees	Guarantees And Credit Derivatives
Conditional and unconditional exposures to central governments or central banks	4.193.999	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2.049.211	-	-	-
Conditional and unconditional exposures to corporates	14.164.408	177.800	-	-
Conditional and unconditional retail exposures	11.353.208	95.952	-	-
Conditional and unconditional exposures secured by real estate property	1.535.467	-	-	-
Past due receivables	481.518	364	-	-
Receivables defined in high risk category by BRSA	2.185.970	71.694	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitization Positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Other receivables	771.346	-	-	-
Total	36.735.127	345.810	-	-

(*) 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.

This policy is evaluated to adapt to sufficiency of changing conditions by Board of Directors and reflected necessary changes to policy. Board of Directors approve policy that related to risk management activities, examine implementation of it as periodically and take measures to set up and continue the establishment of a risk management system in accordance with the Parent Bank’s regulations.

Risk Management Policies are updated by taking into consideration of legal adjustments, activities and risks that the Parent Bank face with and became effective with the approval of 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 Parent Bank facing to the Board of Directors.

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.

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IX. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Parent 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 Parent 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 Parent 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 Parent 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 PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

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.

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

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			
	Current Period 31 December 2015	Prior Period 31 December 2014	Current Period 31 December 2015	Current Period 31 December 2014
Financial Assets	26.128.437	28.751.707	26.186.766	29.466.806
Interbank Money Market Placements	3.879.540	6.833.606	3.879.540	6.833.606
Banks	515.648	1.873.326	515.648	1.877.215
Financial Assets Available-for-Sale (Net)	654.277	530.409	654.277	530.409
Investments Held-to-Maturity (Net)	-	-	-	-
Loans (*)	21.078.972	19.514.366	21.137.301	20.225.576
Financial Liabilities	26.675.011	28.901.416	26.719.404	29.484.016
Bank Deposits	77.761	436.312	77.761	436.312
Other Deposits	18.939.014	18.587.431	18.976.522	18.662.529
Borrowings	7.002.602	9.282.061	7.009.487	9.789.563
Securities Issued	-	-	-	-
Miscellaneous Payables	655.634	595.612	655.634	595.612

(*) Includes the factoring receivables amounting to TL 584.068 (31 December 2014: TL 178.305)

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.

Current Period - 31 December 2015	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	1.015.651	651.434	-	1.667.085
- Government debt securities	1.015.651	-	-	1.015.651
- Share certificates	-	-	-	-
- Trading derivative financial assets	-	651.434	-	651.434
- Other securities	-	-	-	-
Hedging Derivative Financial Assets Available for Sale Financial Assets	624.482	20.666	-	20.666
- Government debt securities	624.482	-	-	624.482
- Other marketable securities	-	-	-	-
Total Assets	1.640.133	672.100	-	2.312.233
- Trading Derivative Financial Liabilities	-	357.168	-	357.168
Hedging Derivative Financial Liabilities	-	10.800	-	10.800
Total Liabilities	-	367.968	-	367.968

Prior Period - 31 December 2014	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	390.456	618.282	-	1.008.738
- Government debt securities	390.456	-	-	390.456
- Share certificates	-	-	-	-
- Trading derivative financial assets	-	618.282	-	618.282
- Other securities	-	-	-	-
Hedging Derivative Financial Assets Available for Sale Financial Assets	526.024	36.299	-	36.299
- Government debt securities	526.024	-	-	526.024
- Other marketable securities	-	-	-	-
Total Assets	916.480	654.581	-	1.571.061
- Trading Derivative Financial Liabilities	-	503.640	-	503.640
Hedging Derivative Financial Liabilities	-	8.615	-	8.615
Total Liabilities	-	512.255	-	512.255

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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:

None.

XII. EXPLANATIONS ON LEVERAGE RATE

Table about leverage rate according to the Guideline of the Measuring and Evaluating Banks’ Leverage Rate, published in the Official Gazette nr.28812 and dated 5 November 2013 is below.

	Current Period 31 December 2015 (*)
Assets On the Balance Sheet	
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	30.293.383
(Assets deducted from core capital)	(47.619)
Total risk amount for assets on the balance sheet	30.245.764
Derivative Financial Instruments and Loan Derivatives	
Renewal cost of derivative financial instruments and loan derivatives	775.367
Potential credit risk amount of derivative financial instruments and loan derivatives	612.385
Total risk amount of derivative financial instruments and loan derivatives	1.387.752
Financing Transactions With Securities Or Goods Warranties	
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	38.133
Risk amount arising from intermediated transactions	-
Total risk amount of financing transactions with securities or goods warranties	38.133
Off-the-Balance Sheet Transactions	
Gross nominal amount of the off-the-balance sheet transactions	10.556.462
Adjustment amount arising from multiplying by the credit conversion rate	-
Total risk amount for off-the-balance sheet transactions	10.556.462
Capital and Total Risk	
Core capital	2.710.595
Total risk amount	42.228.111
Leverage Ratio	
Leverage ratio	6,42

(*) Amounts in the table shows 3 month averages.

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XII EXPLANATIONS ON LEVERAGE RATE (Continued)

	Current Period 31 December 2015 (***)
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	32.378.284
The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” (**)	636.512
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(612.386)
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	2.700.730
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-
Total risk amount	42.228.111

- (*) Consolidated financial statements prepared in compliance with the Article 6 of the communiqué 5 “Preparation of Consolidated Financial Statements.
- (**) Consolidates financial statements prepared in accordance with Turkish Accounting Standards as of 30 June 2015 is used.
- (***) Amounts in the table are three-month average amounts.

XIII. 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.

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XIII EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Information about consolidated operating segments are shown in the table below.

Current Period – 31 December 2015	Retail Banking	Corporate And Investment Banking	Treasury and Capital Markets	Other	Group’s Total Activities
Operating Income	1.052.030	511.944	319.476	-	1.883.450
Other	-	-	-	-	-
Operating Income	1.052.030	511.944	319.476	-	1.883.450
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(546.630)	76.422	225.761	(19.748)	(264.195)
Income from Subsidiaries	2.289	-	-	-	2.289
Profit before Tax	(544.341)	76.422	225.761	(19.748)	(261.906)
Corporate Tax Provision(*)	-	-	-	(63.165)	(63.165)
Profit after Tax	(544.341)	76.422	225.761	(82.913)	(325.071)
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(544.341)	76.422	225.761	(82.913)	(325.071)
Segment Assets	8.205.524	13.457.128	10.009.924	-	31.672.576
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
Total Assets	8.205.524	13.457.128	10.009.924	270	31.672.846
Segment Liabilities	18.864.039	5.388.985	7.419.822	-	31.672.846
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	18.864.039	5.388.985	7.419.822	-	31.672.846
Other Segment Items	(66.887)	(9.397)	(4.796)	-	(81.080)
Capital Investment	-	-	-	-	-
Amortization	(43.860)	(9.397)	(3.548)	-	(56.805)
Impairment	(83.450)	-	(1.248)	-	(84.698)
Non-Cash Other Income-Expense(**)	60.423	-	-	-	60.423

(*) Corporate tax provision is not distributed.

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

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XIII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate And Investment Banking	Treasury and Capital Markets	Other	Group's Total Activities
Prior Period – 31 December 2014					
Operating Income	1.217.378	493.514	180.112	-	1.891.004
Other	-	-	-	-	-
Operating Income	1.217.378	493.514	180.112	-	1.891.004
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(247.989)	119.043	82.441	-	(46.505)
Income from Subsidiaries	-	-	-	-	-
Profit before Tax	(247.989)	119.043	82.441	-	(46.505)
Corporate Tax Provision (*)	-	-	-	(10.599)	(10.599)
Profit after Tax	(247.989)	119.043	82.441	(10.599)	(57.104)
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(247.989)	119.043	82.441	(10.599)	(57.104)
Segment Assets	9.195.473	11.450.640	13.216.600	-	33.862.713
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
Total Assets	9.195.473	11.450.640	13.216.600	270	33.862.983
Segment Liabilities	18.837.321	5.399.811	9.625.851	-	33.862.983
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	18.837.321	5.399.811	9.625.851	-	33.862.983
Other Segment Items	(110.938)	(7.824)	(3.765)	-	(122.527)
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.

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

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED ASSETS

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

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

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Cash/Foreign Currency	217.225	216.614	221.235	127.391
The CBRT	114.993	2.831.815	676.346	2.468.449
Other (*)	280	13.547	-	12.237
Total	332.498	3.061.976	897.581	2.608.077

(*) As of 31 December 2015, account of Precious Metal is amounting to TL 13.547, Money in Transit is amounting to TL 280 (31 December 2014: Precious metal TL 12.237, Money in Transit: None).

2. Information related to the account of the CBRT:

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Unrestricted Demand Deposits	114.993	1.444	676.346	10
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Requirements	-	2.830.371	-	2.468.439
Total	114.993	2.831.815	676.346	2.468.449

3. Explanations on reserve requirements:

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

As of 31 December 2015, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 5% - 11,50% (31 December 2014: 5% - 11,50%), for TL deposits and other liabilities, and between 9% - 13% for FC deposits (31 December 2014: 6% - 13%).

Based upon press announcement of Central Bank of the Republic of Turkey with number 2014/72 on 21 October 2014, there will be interest payment on TL reserve deposits starting from November 2014. Based upon press announcement of Central Bank of the Republic of Turkey with number 2015/1 on 3 January 2015, Banks will hold reserve deposits between 6% and 18% for reserve deposit requirement generating foreign currency liabilities, depending on the state of deposits and non-deposit liabilities at Central Bank of the Republic of Turkey as of liability statement dated 13 February 2015. Based upon press announcement of Central Bank of the Republic of Turkey with number 2015/19 on 10 March 2015, ratios for reserve deposits of reserve deposit requirement generating foreign currency liabilities, depending on the state of deposits and non-deposit liabilities has been updated as 6% and 20% as of liability statement dated 13 March 2015.

For the liabilities to be realized after 28th August 2015, starting from the maintenance period of 23th October 2015, reserve requirement rate for Banks’ foreign currency liabilities in accordance with the structure of deposits and non-deposit liabilities to be kept by the Central Bank as reserve requirements are updated to between 5% and 25%. As of 28th August 2015, current rates are applied to the current liabilities until maturity.

Based upon Central Bank of the Republic of Turkey's Communiqué numbered 2015/35 on 2 May 2015, it is adjudicated that interest will be given to Banks’ reserve deposit in USD, reserve options and unrestricted deposits within CBRT with daily determined interest rates as of 5 May 2015.

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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:

	Current Period 31 December 2015	Prior Period 31 December 2014
Collateral/Blocked	124.562	38.181
Repurchase Agreement	245.434	269.808
Unrestricted	650.837	85.342
Total	1.020.833	393.331

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

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Forward Transactions	28.508	52.167	12.599	36.524
Swap Transactions	339.911	177.089	450.998	101.905
Futures Transactions	-	-	-	-
Options	-	53.759	-	16.256
Other	-	-	-	-
Total	368.419	283.015	463.597	154.685

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Banks				
Domestic	19.896	344.449	930.085	466.957
Foreign	58.389	92.914	84.749	391.535
Foreign Head Office and Branches	-	-	-	-
Total	78.285	437.363	1.014.834	858.492

2. Information on foreign banks account:

	Unrestricted Amount			
	Current Period 31 December 2015	Prior Period 31 December 2014	Current Period 31 December 2015	Current Period 31 December 2014
European Union Countries	2.561	7.163	-	-
USA, Canada	46	330.295	-	-
OECD Countries (*)	304	1.371	-	-
Off-Shore Banking Regions	376	1.144	-	-
Other	854	260	147.162	136.051
Total	4.141	340.233	147.162	136.051

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

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

	Current Period 31 December 2015	Prior Period 31 December 2014
Collateral/Blocked	6.430	392.104
Repurchase Agreement	546.167	125.789
Unrestricted	101.680	12.516
Total	654.277	530.409

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

	Current Period 31 December 2015	Prior Period 31 December 2014
Debt Securities	628.321	527.324
Quoted to Stock Exchange	628.321	527.324
Not Quoted	-	-
Share Certificate	29.795	4.385
Quoted to Stock Exchange	-	-
Not Quoted	29.795	4.385
Impairment Provision (-)	3.839	1.300
Total	654.277	530.409

e. Information related to loans:

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

	Current Period 31 December 2015		Prior Period 31 December 2014	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	214.994	85	171.562
Corporate Shareholders	-	214.994	85	171.562
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	20.399	523.499	3.879	415.922
Loans Granted to Employees	22.321	-	26.518	-
Total	42.720	738.493	30.482	587.484

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		Loans and Other Receivables	Agreement Terms Modified	
		Payment Plan Extensions	Other		Payment Plan Extensions	Other
	Non-specialised Loans	19.013.584	735.036	-	544.252	327.017
Commercial Loans	8.853.487	653.442	-	197.412	297.521	-
Export Loans	1.202.158	58.658	-	7.278	405	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	276.851	-	-	-	-	-
Consumer Loans	3.943.717	15.060	-	133.605	25.869	-
Credit Cards	3.103.135	-	-	190.845	-	-
Other (*)	1.634.236	7.876	-	15.112	3.222	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	19.013.584	735.036	-	544.252	327.017	-

(*) Includes the factoring receivables amounting to TL 584.068 (31 December 2014: 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	719.485	327.017
Extended by 3, 4 or 5 times	15.551	-
Extended by more than 5 times	-	-
Total	735.036	327.017

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 – 6 Months	65.359	3.788
6 – 12 Months	215.121	5.480
1 – 2 Years	174.837	24.096
2 – 5 Years	260.737	97.355
5 Years or More	18.982	196.298
Total	735.036	327.017

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3. Breakdown of loans according to their maturities:

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables	9.577.727	278.698	300.416	6.268
Non-Specialized Loans (*)	9.577.727	278.698	300.416	6.268
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	9.435.857	456.338	243.836	320.749
Non-Specialized Loans	9.435.857	456.338	243.836	320.749
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

(*) Includes the factoring receivables amounting to TL 584.068.

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	79.728	3.667.813	3.747.541
Mortgage Loans	299	1.253.096	1.253.395
Automotive Loans	177	6.768	6.945
Consumer Loans	79.252	2.407.949	2.487.201
Other	-	-	-
Consumer Loans- Indexed to FC	-	3.839	3.839
Mortgage Loans	-	3.805	3.805
Automotive Loans	-	-	-
Consumer Loans	-	34	34
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.180.209	85.149	3.265.358
With Installment	1.183.258	85.149	1.268.407
Without Installment	1.996.951	-	1.996.951
Individual Credit Cards-FC	6.945	-	6.945
With Installment	-	-	-
Without Installment	6.945	-	6.945
Personnel Loans-TL	1.094	14.154	15.248
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.094	14.154	15.248
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	7.043	-	7.043
With Installment	2.962	-	2.962
Without Installment	4.081	-	4.081
Personnel Credit Cards-FC	30	-	30
With Installment	-	-	-
Without Installment	30	-	30
Overdraft Account-TL (Individual)	351.623	-	351.623
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	3.626.672	3.770.955	7.397.627

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

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

	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	47.747	499.456	547.203
Mortgage Loans	-	3.945	3.945
Automotive Loans	13	2.533	2.546
Consumer Loans	47.734	492.978	540.712
Other	-	-	-
Commercial Installment Loans- Indexed to FC	17.938	340.659	358.597
Mortgage Loans	-	10.461	10.461
Automotive Loans	1.788	12.906	14.694
Consumer Loans	16.150	317.292	333.442
Other	-	-	-
Commercial Installment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	13.903	1	13.904
With Installment	3.191	1	3.192
Without Installment	10.712	-	10.712
Corporate Credit Cards-FC	700	-	700
With Installment	-	-	-
Without Installment	700	-	700
Overdraft Account-TL (Commercial)	44.304	-	44.304
Overdraft Account-FC (Commercial)	-	-	-
Total	124.592	840.116	964.708

6. Loans according to types of borrowers:

	Current Period 31 December 2015	Prior Period 31 December 2014
Public	-	-
Private (*)	20.619.889	19.036.753
Total	20.619.889	19.036.753

(*) Includes the factoring receivables amounting to TL 584.068 (31 December 2014: TL 178.305).

7. Distribution of domestic and foreign loans:

	Current Period 31 December 2015	Prior Period 31 December 2014
Domestic Loans	20.112.061	18.647.875
Foreign Loans	507.828	388.878
Total (*)	20.619.889	19.036.753

(*) Includes the factoring receivables amounting to TL 584.068 (31 December 2014: TL 178.305).

8. Loans granted to investments in associates and subsidiaries:

As of 31 December 2015 and 31 December 2014, the Parent Bank has no loans granted to investments in associates and subsidiaries.

9. Specific provisions for loans:

	Current Period 31 December 2015	Prior Period 31 December 2014
Loans and Receivables with Limited Collectability	31.486	41.785
Loans and Receivables with Doubtful Collectability	145.851	143.213
Uncollectible Loans and Receivables	608.665	578.009
Total	786.002	763.007

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

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period: 31 December 2015	2.812	10.185	16.941
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	2.812	10.185	16.941
Rescheduled Loans and Other Receivables	-	-	-
Prior Period: 31 December 2014	1.732	1.863	16.610
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	1.732	1.863	16.610
Rescheduled Loans and Other Receivables	-	-	-

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Balance at the end of the Prior Period: 31 December 2014	261.417	311.020	668.183
Additions (+)	707.061	4.442	14.718
Transfers from Other Categories of Non-Performing Loans (+)	3.932	741.258	610.133
Transfers to Other Categories of Non-Performing Loans (-)	740.700	610.835	3.788
Collections (-)	55.821	97.275	85.109
Write-offs (*) (-)	22	29.253	454.276
Corporate and Commercial Loans	-	-	32.426
Retail Loans	2	9.637	119.566
Credit Cards	20	19.616	302.284
Other	-	-	-
Balance at the End of the Period: 31 December 2015	175.867	319.357	749.861
Specific Provisions (-)	31.486	145.851	608.665
Net Balance on Balance Sheet	144.381	173.506	141.196

(*) The Parent Bank has concluded the sale of non-performing consumer loans and credit cards amounting to TL 450.714 for TL 57.200 in 2015.

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period: 31 December 2015			
Balance at the End of the Period	-	-	330
Specific Provisions (-)	-	-	115
Net Balance on Balance Sheet	-	-	215
Prior Period: 31 December 2014			
Balance at the End of the Period	-	-	423
Specific Provisions (-)	-	-	130
Net Balance on Balance Sheet	-	-	293

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period (Net): : 31 December 2015	144.381	173.506	141.196
Loans granted to corporate entities and real persons (Gross)	175.867	319.357	749.861
Specific Provisions Amount (-)	31.486	145.851	608.665
Loans granted to corporate entities and real persons (Net)	144.381	173.506	141.196
Banks (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): 31 December 2014	219.632	167.807	90.174
Loans granted to corporate entities and real persons (Gross)	261.417	311.020	668.123
Specific Provisions Amount (-)	41.785	143.213	577.949
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)	-	-	-

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.

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 2015 and 31 December 2014, the Group has no investment held to maturity given as collateral/blocked and subject to repurchase agreements.

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

As of 31 December 2015 and 31 December 2014, the Group has no investments as government debt securities held to maturity

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

As of 31 December 2015 and 31 December 2014, the Group has no investments held to maturity.

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

As of 31 December 2015 and 31 December 2014, the Group has no investments of held to maturity movement.

g. Information on associates (Net):

The Group has no associates as of 31 December 2015 and 31 December 2014.

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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	92.180
Paid-in Capital	7.000
Share Premium	-
Reserves	42.258
Current Period’s Profit and Prior Periods’ Profit	42.922
Current Period’s Losses and Prior Periods’ Losses	-
Leasehold Improvements on Operational Leases (-)	-
Intangible Assets (-)	(755)
Supplementary Capital	-
Deductions from Capital	-
Net Available Equity	91.425

(*) Prepared with the audited financial statements as of 31 December 2015.

2. Information on unconsolidated subsidiaries:

a) Unconsolidated subsidiaries:

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

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

	Total Assets	Shareholder s’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit / Loss	Fair Value
1	2.248	1.955	11	-	-	1.365	1.233	-
2	26	24	-	-	-	(14)	(19)	-

(*) Prepared with audited financial statements as of 31 December 2015.

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.

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

3. Information on the consolidated subsidiaries (Continued):

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	106.082	92.180	1.946	7.730	2.383	23.111	23.209	-

(*) Prepared with unaudited financial statements as of 31 December 2015.

4. Movement schedule of the consolidated subsidiaries:

	Current Period 31 December 2015	Prior Period 31 December 2014
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 31 December 2015	Prior Period 31 December 2014
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 2015 and 31 December 2014.

i. Information on jointly controlled entities:

- The Group has no jointly controlled entities as of 31 December 2015 and 31 December 2014.
- As of 31 December 2015 and 31 December 2014, the accounting method is not determined since the Group has no jointly controlled entities.

j. Information on leasing receivables (Net):

As of 31 December 2015 and 31 December 2014, the Group has no finance lease.

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k. Explanations on hedging derivative financial assets:

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Fair Value Hedge	-	-	-	-
Cash Flow Hedge	20.666	-	36.299	-
Foreign Net Investment Hedge	-	-	-	-
Total	20.666	-	36.299	-

l. Explanations on property and equipment:

	Land and Buildings	Vehicles	Other Tangible Fixed Assets	Total
Prior Period End:				
Cost	22.801	681	758.370	781.852
Accumulated Depreciation and Impairment (-)	13.546	643	652.508	666.697
Net book value	9.255	38	105.862	115.155
Current Period End:				
Net Book Value at the Beginning	9.255	38	105.862	115.155
Additions	-	-	10.730	10.730
Disposals (-) (net)	68	14	1.874	1.956
Depreciation (-)	326	11	36.026	36.363
Cost at Period End	22.733	667	767.227	790.627
Accumulated Depreciation at Period End (-)	13.872	654	688.535	703.061
Closing net book value	8.861	13	78.692	87.566

m. Explanations on intangible assets:

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

	Current Period 31 December 2015	Prior Period 31 December 2014
Gross book value	321.709	302.756
Accumulated depreciation(-)	287.179	183.488
Net Book Value	34.530	119.268

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

	Current Period 31 December 2015	Prior Period 31 December 2014
Opening balance	119.268	107.386
Additions	19.337	26.594
Disposals (-) (net)	-	-
Depreciation (-)	104.075	14.712
Closing Net Book Value	34.530	119.268

n. Explanations on the investment properties:

As of 31 December 2015 and 31 December 2014, the Group has no investment properties.

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

o. Explanations on deferred tax asset:

The Parent Bank’s deferred tax assets as of 31 December 2015 are explained in Note XVIII of Section Three.

	Cumulative		Deferred Tax Aasset/Liability	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fiscal Loss	434.480	195.637	86.896	39.127
Unearned Revenues	156.672	193.307	31.334	38.661
Other	161.065	116.530	32.213	23.306
Deferred Tax Asset	752.217	505.474	150.443	101.094
Derivative Transactions Fair Value Difference	(332.403)	(243.881)	(66.481)	(48.776)
Other	(26.525)	(26.691)	(5.305)	(5.338)
Deferred Tax Liability	(358.928)	(270.572)	(71.786)	(54.114)
Deferred Tax Asset recognized as expense (*)			(78.657)	
Net Tax Asset			1.030	46.980

(*) Information of deferred tax asset of the Group as of 31 December 2015 is explained under Section Three XVIII nr. Footnote.

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

As of 31 December 2015, assets held for sale of the Group is TL 3.444 (31 December 2014: TL 3.179).

	Current Period 31 December 2015	Prior Period 31 December 2014
Prior Period End:		
Cost	3.321	4.629
Accumulated Depreciation (-)	142	235
Net Book Value	3.179	4.394
Current Period End		
Net Book Value at the Beginning	3.179	4.394
Additions	1.729	1.149
Disposals (-) (net)	1.456	2.457
Depreciation (-)	8	60
Cost at Period End	3.594	3.321
Accumulated Depreciation at Period End (-)	150	142
Closing Net Book Value	3.444	3.179

r. Information on other assets:

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

Subsidiaries	Current Period 31 December 2015	Prior Period 31 December 2014
Debited Suspence Accounts	114.474	106.066
Miscellaneous Receivables	129.038	7.661
Prepaid expenses	42.695	61.563
Other Rediscount Income	13.925	18.420
Other Assets	6.503	4.974
Total	306.635	198.684

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

As of 31 December 2015 and 31 December 2014, 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 2015:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	492.572	-	1.399.599	4.450.241	133.484	57.572	45.617	-	6.579.085
Foreign Currency									
Deposits	2.027.260	-	2.271.819	5.305.202	170.326	108.298	63.515	-	9.946.420
Residents in Turkey	1.711.142	-	2.130.534	4.731.113	118.768	81.121	25.484	-	8.798.162
Residents Abroad	316.118	-	141.285	574.089	51.558	27.177	38.031	-	1.148.258
Public Sector Deposits	94.439	-	-	-	-	-	-	-	94.439
Commercial Deposits	427.419	-	961.895	604.159	3.336	4.430	3.786	-	2.005.025
Other Institutions									
Deposits	20.840	-	2.657	13.598	104	45	76	-	37.320
Precious Metal Deposit	236.379	-	-	34.716	1.824	3.653	153	-	276.725
Bank Deposits	58.240	-	19.521	-	-	-	-	-	77.761
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	8.898	-	19.521	-	-	-	-	-	28.419
Foreign Banks	49.342	-	-	-	-	-	-	-	49.342
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.357.149	-	4.655.491	10.407.916	309.074	173.998	113.147	-	19.016.775

1(ii). Prior Period - 31 December 2014:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	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	-	-	-	-	-	-	-	-	-
Total	3.252.747	-	6.754.597	7.465.637	1.065.031	283.683	202.048	-	19.023.743

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 31 December 2015	Prior Period 31 December 2014	Current Period 31 December 2015	Prior Period 31 December 2014
Saving Deposits	3.691.680	4.472.125	2.772.740	3.786.609
Foreign Currency Saving Deposits	1.807.137	1.606.622	5.124.312	3.571.243
Other Deposits in the Form of Saving Deposits	12.621	25.023	55.859	73.422
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	157.247	212.923	165.793	254.987
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	5.668.685	6.316.693	8.118.704	7.686.261

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

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

	Current Period 31 December 2015	Prior Period 31 December 2014
Foreign Branches’ Deposits and other accounts	165.793	254.987
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wordship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wordship	9.096	8.193
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 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Forward Transactions	16.306	61.093	27.810	52.347
Swap Transactions	83.613	141.810	51.005	355.624
Future Transactions	-	-	-	-
Options	-	54.346	-	16.854
Other	-	-	-	-
Total	99.919	257.249	78.815	424.825

c. Information on repurchase agreements:

As of 31 December 2015, the Group has repurchase agreements amounting to TL 790.709 (31 December 2014: TL 395.596).

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	9.650	2.919	7.570	279
From Foreign Banks, Institutions and Funds	612.735	4.726.289	2.505.264	5.695.853
Total	622.385	4.729.208	2.512.834	5.696.132

2. Information on maturity structure of funds borrowed:

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Short-term	9.650	336.084	1.159.873	2.806.927
Medium and Long-term	612.735	4.393.124	1.352.961	2.889.205
Total	622.385	4.729.208	2.512.834	5.696.132

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

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 2014: 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.

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

	Current Period 31 December 2015	Prior Period 31 December 2014
Less Than 1 Year	31.372	41.672
Between 1- 4 Years	13.624	17.454
More Than 4 Years	2.978	3.537
Total	47.974	62.663

g. Information on derivative financial liabilities for hedging purposes:

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	10.800	-	8.615	-
Hedge of net investment in foreign operations	-	-	-	-
Total	10.800	-	8.615	-

h. Information on provisions:

1. Information on general provisions:

	Current Period 31 December 2015	Prior Period 31 December 2014
General Provisions	457.075	362.405
Provisions for First Group Loans and Receivables	325.078	266.320
- Additional Provision for Loans and Receivables with Extended Maturities	22.606	18.644
Provisions for Second Group Loans and Receivables	30.017	21.173
- Additional Provision for Loans and Receivables with Extended Maturities	16.083	3.084
Provisions for Non-Cash Loans	43.194	34.833
Other	20.097	18.351

2. Information on employee benefit provisions:

As of 31 December 2015 the Group has employee termination benefit provision amounting to TL 55.220 (31 December 2014: TL 29.113), and unused vacation provision amounting to TL 6.204 (31 December 2014: TL 5.686).

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

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

2. Information on employee benefit provisions (Continued):

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 31 December 2015 is TL 3.828,37 (full TL) (31 December 2014: TL 3.438,22 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

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

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Group is calculated from the ceiling amount valid from 1 July 2015, TL 3.828,37 (full TL) (31 December 2014: TL 3.438,22 (full TL)).

	Current Period 31 December 2015	Prior Period 31 December 2014
Balances at End of Prior Period	29.113	26.174
Provision booked in current period	35.010	12.311
Provision paid in current period (-)	8.903	9.372
Balances at End of the Period	55.220	29.113

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

As of 31 December 2015, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 16.676 (31 December 2014: TL 8.838), 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 2015, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 174 (31 December 2014: TL 406).

5. Information on other provisions:

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

As of 31 December 2015 and 31 December 2014, 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:

	Current Period 31 December 2015	Prior Period 31 December 2014
Dud cheques submitted on time	24.157	25.186
Provision for credit cards accumulated gift points	6.270	10.325
Provision of the refund of case file expenses	4.111	4.136
Special provisions for non-cash loans not compensated and not turned in cash	174	406
Other Provisions	38.679	22.547
Total	73.391	62.600

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.

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

1(i). Information on taxes payable:

	Current Period	Prior Period
	31 December 2015	31 December 2014
Corporate Taxes Payable	2.415	997
Taxation on Marketable Securities	14.153	14.879
Taxation on Real Estates Income	1.162	1.324
Banking Insurance Transaction Tax (BITT)	13.581	13.739
Foreign Exchange Transaction Tax	14	9
Value Added Tax Payable	2.035	1.521
Other (*)	12.803	10.736
Total	46.163	43.205

(*) As of 31 December 2015, consists of payroll tax amounting to TL 10.171 (31 December 2014: TL 8.846), self-employed income tax amounting to TL 7 (31 December 2014: TL 18), stamp tax amounting to TL 273 (31 December 2014: TL 275) and other taxes amounting to TL 2.352 (31 December 2014: TL 1.597).

1(ii). Information on premium payables:

	Current Period	Prior Period
	31 December 2015	31 December 2014
Social Security Premiums – Employee	3.496	3.466
Social Security Premiums – Employer	3.953	3.676
Bank Social Aid Pension Fund Premium – Employee	-	-
Bank Social Aid Pension Fund Premium – Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	258	201
Unemployment Insurance – Employer	546	468
Other	-	-
Total	8.253	7.811

2. Information on deferred tax liability:

Information on the Bank’s deferred tax liability as of 31 December 2015 is explained in Note XVIII of Section Three.

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

As of 31 December 2015 and 31 December 2014, the Group has no liabilities for asset held for sale and related to discontinued operations.

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

As of 29 December 2011, the Bank has obtained a subordinated loan from HSBC Holdings Plc amounting to USD 275.000 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 with 10 years maturity and USD Libor + 4,15% interest rate and EUR 120.000 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.

As of 22 December 2015, the Parent Bank has obtained a subordinated loan from HSBC Finance amounting to USD 100.000 with 10 years maturity and USD Libor + 5,88% interest rate in accordance with the permit from BRSA No.17727 dated 18 December 2015 and the decision taken in the Board of Directors No. 13382 dated 4 December 2015.

	Current Period		Prior Period	
	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	1.651.009	-	1.073.095
Other Foreign Institutions	-	-	-	-
Total	-	1.651.009	-	1.073.095

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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 31 December 2015	Prior Period 31 December 2014
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

Amount of paid-in capital has presented in notional amount. As of 31 December 2015, the Parent Bank has TL 272.693 capital reserve due to adjustment of the paid-in capital for inflation.

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

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

Registered share capital system is not applied.

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

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

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

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

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

The Group has no capital commitments.

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

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

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

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

8. Information on marketable securities value increase fund:

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(4.190)	20.328	7.336	-
Foreign Currency Difference	-	-	-	-
Total	(4.190)	20.328	7.336	-

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9. Information on revaluation value increase fund:

As of 31 December 2015 and 31 December 2014, the Group has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period 31 December 2015	Prior Period 31 December 2014
First Legal Reserve	137.895	136.114
Second Legal Reserve	61.708	59.888
Legal Reserves according to Special Legislation	-	-
Total	199.603	196.002

11. Information on extraordinary reserves:

	Current Period 31 December 2015	Prior Period 31 December 2014
Reserves Allocated per General Assembly Minutes	1.817.221	1.877.926
Undivided Profit	97.844	97.844
Accumulated Loss	-	-
Translation Difference	-	-
Total	1.915.065	1.975.770

12. Information on minority shares:

The Group has no minority shares as of 31 December 2015 and 31 December 2014.

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 United Kingdom.

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

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

	Current Period 31 December 2015	Prior Period 31 December 2014
Asset Purchase and Sale Commitments	24.022.597	10.017.870
Commitments for Credit Card Limits	5.373.983	6.364.673
Commitments for Cheques	545.564	557.693
Loan Granting Commitments	501.356	840.263
Short Sale Commitments	50	2.340
Commitments for Credit Cards and Banking Services Promotions	20.325	19.022
Tax and Fund Liabilities from Export Commitments	5.330	5.614
Deposit Purchase and Sales Commitments	-	1.175.103
Other Irrevocable Commitments	968.711	1.077.805
Total	31.437.916	20.060.383

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”.

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

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

	Current Period 31 December 2015	Prior Period 31 December 2014
Letters of Guarantee	1.668.205	1.259.499
Letters of Credit	595.235	686.323
Bank Acceptances	470.727	721.520
Other Guarantees	339.952	398.362
Total	3.074.119	3.065.704

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 31 December 2015	Prior Period 31 December 2014
Non-Cash Given For Cash Loan Risks	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	-	-
Other Non-Cash Loans	3.074.119	3.065.704
Total	3.074.119	3.065.704

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

	Current Period 31 December 2015				Prior Period 31 December 2014			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	385	0,05	419	0,02	86	0,01	38.016	1,62
Farming and Raising livestock	385	0,05	419	0,02	36	0,01	38.016	1,62
Forestry	-	0,00	-	0,00	50	0,01	-	0,00
Fishing	-	0,00	-	0,00	-	0,00	-	0,00
Manufacturing	588.096	72,81	729.471	32,19	421.087	59,05	929.141	39,49
Mining	289	0,04	3.430	0,15	226	0,03	52	0,00
Production	573.536	71,01	709.058	31,29	409.619	57,44	916.351	38,95
Electric, Gas and Water	14.271	1,77	16.983	0,75	11.242	1,58	12.738	0,54
Construction	5.885	0,73	177.168	7,82	6.930	0,97	236.674	10,06
Services	207.665	25,71	1.359.043	59,97	280.756	39,37	1.148.579	48,82
Wholesale and Retail Trade	90.635	11,22	132.516	5,85	76.040	10,66	133.065	5,66
Hotel, Food and Beverage Services	431	0,05	159	0,01	512	0,07	299	0,01
Transportation and Telecommunication	4.773	0,59	43.062	1,90	5.672	0,80	50.019	2,13
Financial Institutions	82.923	10,27	823.778	36,35	173.177	24,28	739.882	31,45
Real Estate and Leasing Services	-	0,00	-	0,00	-	0,00	-	0,00
Self-employment Services	27.995	3,47	350.738	15,48	23.540	3,30	217.705	9,25
Education Services	170	0,02	32	0,00	195	0,03	26	0,00
Health and Social Services	738	0,09	8.758	0,39	1.620	0,23	7.583	0,32
Other	5.695	0,71	292	0,01	4.259	0,60	176	0,01
Total	807.726	100,00	2.266.393	100,00	713.118	100,00	2.352.586	100,00

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

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

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash loans	800.891	2.254.496	6.519	11.897
Letters of Guarantee	800.891	852.748	6.519	7.731
Bank Acceptances	-	470.727	-	-
Letters of Credit	-	594.067	-	1.168
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	336.954	-	2.998

b. Explanations on derivative transactions:

	Current Period 31 December 2015	Prior Period 31 December 2014
Foreign Currency Swap Transactions	30.857.569	74.400.992
Interest Rate Swap Transactions	19.357.802	10.951.176
Foreign Currency Options Transactions	9.388.245	3.333.416
Forward Foreign Currency Transactions	9.998.505	6.651.120
Precious Metals Swap Transactions	277.961	289.856
Precious Metals Options Transactions	29.384	64.724
Total	69.909.466	95.691.284

1. Cash flow hedging accounting:

The Parent Bank applies cash flow hedge accounting by cross currency swap transactions in order to hedge itself from the changes in the interest rates of the fixed-rate time deposits which have maturity of 1-3 month. The Parent Bank applies effectiveness test in any balance sheet date. While the effective portions are accounted under hedging reserves in shareholders’ equity as described in TAS 39, the ineffective portion is recognized at income statement. As of 31 December 2015, swaps amounting to TL 1.003.370 (31 December 2014: TL 2.474.505) were subjected to cash flow hedge accounting as hedging instrument. After such hedge accounting, fair value profit before tax amounting to TL 8.081 (31 December 2014: TL 803 loss) are recognized under shareholders’ equity in the current period. As of 31 December 2015, there is ineffective portion as a result of effectiveness tests amounting to TL 280 (31 December 2014: TL 17).

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 2015 and 31 December 2014.

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 2015, the total amount of these lawsuits filed against the Bank is TL 47.857 (31 December 2014: TL 29.752). TL 4.111 (31 December 2014: TL 4.136) 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 18.304 (31 December 2014: TL 8.103).

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 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Short-term Loans	980.116	47.988	890.912	45.735
Medium and Long-Term Loans	720.105	185.201	767.372	147.073
Interest on Non Performing Loans	26.915	1	22.364	-
Total	1.727.136	233.190	1.680.648	192.808

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

2. Information on interest income received from banks:

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	96.840	1.412	84.909	9.982
From Foreign Banks	1.292	649	896	633
Headquarters and Branches Abroad	-	-	-	-
Total	98.132	2.061	85.805	10.615

3. Information on interest income on marketable securities:

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Financial Assets Held For Trading	87.510	380	18.895	431
Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available For Sale	41.033	-	75.799	-
Investments Held to Maturity	-	-	-	-
Total	128.543	380	94.694	431

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

As of 31 December 2015 and 31 December 2014, the Parent Bank has no interest income received from investments in associates and subsidiaries.

b. Information on interest expense:

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

	Current Period 31 December 2015		Prior Period 31 December 2014	
	TL	FC	TL	FC
Banks			189.285	131.300
The CBRT	-	-	-	-
Domestic Banks	623	49	828	48
Foreign Banks	133.018	135.139	188.457	131.252
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	133.641	135.188	189.285	131.300

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

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

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

None.

3. Information on interest expense given on securities issued:

None.

4. Maturity structure of the interest expense on deposits:

Current Period: 31 December 2015	Demand Deposit	Time Deposit					Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year	
Turkish Lira							
Interbank Deposits	-	7.893	-	-	-	-	7.893
Saving Deposits	-	262.500	402.796	22.196	7.136	5.076	699.704
Public sector Deposits	-	-	-	-	-	-	-
Commercial Deposits	-	88.096	30.467	2.225	1.330	242	122.360
Other Deposit	-	426	916	12	5	6	1.365
Total	-	358.915	434.179	24.433	8.471	5.324	831.322
Foreign Currency							
Foreign currency Deposits	-	22.731	63.404	3.338	1.387	1.455	92.315
Interbank Deposits	-	149	-	-	-	-	149
Precious metal Deposits	-	-	446	15	20	-	481
Total	-	22.880	63.850	3.353	1.407	1.455	92.945
Grand Total	-	381.795	498.029	27.786	9.878	6.779	924.267

Prior Period: 31 December 2014	Demand Deposit	Time Deposit					Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year	
Turkish Lira							
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
Total	-	295.823	509.608	63.548	21.907	6.817	897.703
Foreign Currency							
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
Total	-	18.799	63.787	5.465	1.920	3.243	93.214
Grand Total	-	314.622	573.395	69.013	23.827	10.060	990.917

5. Information on interest given on repurchase agreement:

The Bank has interest given on repurchase agreement amounting to TL 61.967 (31 December 2014: TL 39.885) during the period ended on 31 December 2015.

6. Information on financial lease expense:

The Group has no financial lease expense as of 31 December 2015 and 31 December 2014.

7. Information on interest expenses given on factoring payables:

The Group has no interest given on factoring payables as of 31 December 2015 and 31 December 2014.

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c. Explanations on dividend income:

As of 31 December 2015, the share of the Group in the dividend distribution of its subsidiaries is TL 2.289 (31 December 2014: None).

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

1. Explanations on net trading income:

	Current Period 31 December 2015	Prior Period 31 December 2014
Profit	84.836.211	60.600.799
Income from Capital Market Transactions	36.605	28.589
Derivative Financial Transactions Income	6.962.121	9.557.621
Foreign Exchange Gains	77.837.485	51.014.589
Loss (-)	84.799.154	60.821.643
Capital Market Transactions Loss	45.916	18.381
Loss on Derivative Financial Transactions	6.266.048	9.374.811
Foreign Exchange Loss	78.487.190	51.428.451
Total (Net)	37.057	(220.844)

2. Explanations on derivative instruments gain/loss:

	Current Period 31 December 2015	Prior Period 31 December 2014
Effect of the change in exchange rates on profit/loss	298.261	287.990
Effect of the change in interest rates on profit/loss	397.812	(105.180)
Total (Net)	696.073	182.810

e. Explanations on other operating income:

	Current Period 31 December 2015	Prior Period 31 December 2014
Corrections of prior period expenses	77.571	110.367
Sale Income of Follow-up Loans	60.578	63.196
Communication Expense Provision	18.480	2.162
Income from Sale of Assets	2.370	1.550
Other Income	22.233	26.797
Total	181.232	204.072

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

	Current Period 31 December 2015	Prior Period 31 December 2014
Specific Provisions for Loans and Other Receivables	577.000	534.691
III. Group Loans and Receivables	13.341	41.632
IV. Group Loans and Receivables	72.189	143.298
V. Group Loans and Receivables	491.470	349.761
General Provision Expenses	94.670	15.106
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	1.248	870
Financial Assets at Fair Value Through Profit or Loss	249	61
Available-for-sale Financial Assets	999	809
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	28.000	16.254
Total	700.918	566.921

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

g. Information related to other operating expenses:

	Current Period	Prior Period
	31 December 2015	31 December 2014
Personnel Expenses	593.573	617.423
Provision for Employee Termination Benefits	10.540	14.803
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	36.363	36.500
Impairment Expenses of Intangible Assets	83.450	-
Goodwill Impairment Expenses	83.450	-
Amortization Expenses of Intangible Assets	20.625	13.916
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	70	60
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	393.408	440.541
Operational Lease Expenses	163.918	137.632
Maintenance Expenses	35.224	42.472
Communication Expenses	33.746	48.100
Maintenance Licence Expenses	21.659	53.019
Advertisement Expenses	27.963	26.813
Banking Facilities Promotion Expenses	20.505	28.203
Shipping Expenses	14.727	13.150
Property Expenses	11.611	14.486
Cleaning Expenses	12.758	13.545
Insurance Expenses	6.939	13.363
Subscription Expenses	7.981	7.873
Other Expenses	36.377	41.885
Tax, Duties, Charges and Funds Expenses	50.551	45.766
Saving Deposit Insurance Fund Expenses	50.575	62.816
Audit and Consultancy Fee	17.571	15.495
Arbitration Committee Expenses	39.394	11.031
Loss on Sales of Assets	1.595	919
Other	146.723	111.318
Total	1.444.438	1.370.588

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

The Group has operating income amounting to TL 1.883.450 (31 December 2014: TL 1.891.004) as of 31 December 2015. The amount of provisions for losses for loans and other receivables is TL 700.918 (31 December 2014: TL 566.921), other operating expenses amount to TL 1.444.438 (31 December 2014: TL 1.370.588), loss before tax amounts to TL 261.906 (31 December 2014: TL 46.505 loss before tax).

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

As of 31 December 2015, the Parent Bank has corporate tax provision expense amounting to TL 19.420 (31 December 2014: TL 10.476 expense) and deferred tax expense amounting to TL 43.745 (31 December 2014: TL 123 expense).

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

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

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

k. Explanations on net profit and loss:

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

Net interest income, amounting to TL 1.131.931 (31 December 2014: TL 1.237.457), net wage and commission income amounting to TL 530.941 (31 December 2014: TL 670.319) have an important role among the income items in the interim accounting period ending on 31 December 2015. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank’s interest income are the interests received from loans, securities and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

	Current Period 31 December 2015	Prior Period 31 December 2014
Credit Card Transactions	317.835	428.094
Insurance Commissions	71.135	79.574
Commissions Received from Banking Transactions	61.546	106.741
Tefas Fund Platform	12.670	-
Other Fee and Commissions	95.343	86.589
Total	558.529	700.998

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 2015, , increase in investment securities valuation differences balance amounting to TL 16.138 (31 December 2014: TL 7.336 increase). 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 2015, the increase of TL 8.802 (31 December 2014: TL 34.849 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.

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V. EXPLANATIONS AND NOTES RELATED TO THE CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (Continued)

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 2015, loss amounting to TL 544 (31 December 2014: TL 5.297 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 2015 and 31 December 2014.

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

As of 31 December 2015 and 31 December 2014, the adjustments made for prior periods do not have any effect on opening balance sheets of the Group.

f. Offsetting prior period's losses:

As of 31 December 2015 and 31 December 2014, the Group does not have any offset transactions relating to previous year's losses.

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 532.712 (31 December 2014: TL 545.514) consists of interest income amounting to TL 2.316.727 (31 December 2014: TL 2.654.964), interest expense amounting to TL 1.228.804 (31 December 2014: TL 1.361.714), personnel expenses amounting to TL 594.282 (31 December 2014: TL 632.254) and net expense other than interest amounting to TL 39.071 (31 December 2014: TL 115.482).

Net increase in other liabilities amounting to TL 429.015 (31 December 2014: TL 1.431.825 net decrease) 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 2.498 net decrease (31 December 2014: TL 51.182 net increase) as of 31 December 2015.

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 2015 and 31 December 2014.

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

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 2015 and 31 December 2014.

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 31 December 2014	Prior Period 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
Total Cash and Cash Equivalents	9.728.105	8.875.763

Cash and cash equivalents at the end of period:

	Current Period 31 December 2015	Prior Period 31 December 2014
Cash	447.666	360.862
Interbank Money Market Placements	3.879.540	6.833.606
Marketable Securities (Net)	-	-
CBRT, Banks and Other Financial Institutions	627.188	2.533.637
Total Cash and Cash Equivalents	4.954.394	9.728.105

e. Additional information:

None.

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

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

Current Period – 31 December 2015:

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	-	-	3.964	587.484	-	7
Closing Balance	-	-	20.399	738.493	-	-
Interest and Commissions						
Income	-	-	1.406	258	-	-

Prior 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	-	-

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I HSBC BANK A.Ş. AND ITS SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015
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VII. EXPLANATIONS AND NOTES RELATED TO THE GROUP’S RISK GROUP (Continued)

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Deposit						
Opening Balance	1.251	4.044	37.517	50.715	19.377	376
Closing Balance	751	1.251	49.079	37.517	9.252	19.377
Interest expense on deposits	-	-	-	-	607	305

3. 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 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	82.048.760	88.076.697	-	-
Closing Balance	-	-	61.011.511	82.048.760	-	-
Total Profit/Loss	-	-	630.718	123.117	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	2.474.505	-	-	-
Closing Balance	-	-	1.003.370	2.474.505	-	-
Total Profit/Loss	-	-	280	17	-	-

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

As of 31 December 2015, payment is made to top executives of the Group amounting to TL 39.136 (31 December 2014: TL 39.844).

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

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

	Number	Number of Employees		Total Assets	Statutory Share Capital
Domestic Branch	280	5.049			
			Country of Incorporation		
Foreign Representation Office					
Foreign branch	1	11	1-Girne	166.728	-
	1	10	2-Gazi Mağosa	51.679	-
	2	36	3-Lefkoşa	402.548	55.659
Off-shore Banking Region Branches	-	-		-	-

IX. EXPLANATIONS AND NOTES TO THE SUBSEQUENT EVENTS

None.

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE GROUP’S OPERATIONS

An announcement was placed on Public Disclosure Platform on 9 June 2015 stating that HSBC Bank Plc, main shareholder of HSBC Bank A.Ş., has decided to sell its shares and that throughout this process Bank's customers and employees have priority and customers will have uninterrupted service. More details will be provided in later announcements.

In this respect, on 22 February 2016 HSBC Group announced that the process to sell HSBC Turkey has concluded with a decision to retain and restructure HSBC’s business in Turkey. In line with this decision, HSBC Turkey will maintain its wholesale banking business and refocus its retail network with the aim to develop a sustainable and profitable organisation. Process to prepare execution plan has been started. HSBC Turkey will continue to support its customers by leveraging its international connectivity, along with its global expertise in trade and wealth management.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 31 December 2015, consolidated financial statements and explanatory notes disclosed herein were reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of PricewaterhouseCoopers) and review report dated 26 February 2016 is presented before to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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