

## Basic Information Document and Prior Information Form

### Private Sector Bond

This document has been prepared to provide information about Private Sector Bond. This document is not a sales or marketing document. This document has been prepared to ensure that investors comprehend potential risks and fundamental features of the product. We recommend that investors take a decision after reading this document.

#### About Private Sector Eurobond

A Private Sector Bond is a bond issued by corporates with maturity of 1 year or more and denominated in Turkish Lira. Private sector bonds can be either discounted or with coupon.

#### Investment Purpose of Private Sector Bond

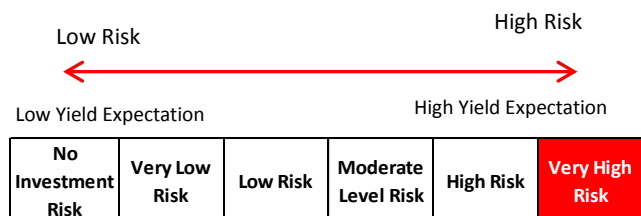
Since private sector bond represent the corporate's own debt, in cases where these securities are held till maturity, the issuing company is liable to pay nominal amount (face amount) and interest.

Private sector bonds can be redeemed within secondary markets before their maturity depending on current market conditions. Private sector bonds provide long-term investment opportunity; regular income may be achieved by coupon payments. In addition, due to price difference in trading, there is possibility of obtaining capital gain.

#### About Risk and Return Profile of Private Sector Bond

Private sector bonds risk profile is compatible with the risk profile of customers who are willing to take "Very High Risk". Products with "Very High Risk" risk profile have higher probability of price fluctuations since they involve higher investment risk. Private sector bonds may enable higher income yield compared to Low and Medium Risk level products. However, it also has higher probability of capital loss compared to Low and Medium Risk level products.

Private sector bonds are suitable for investors who prefer long-term investments denominated in foreign currencies and who do not need emergency cash. Private sector bonds should not be preferred for short-term investments.



#### Fees and Commissions

A maximum commission rate of 1% may be applied for private sector bond subscription/redemption orders.

#### Tax

The tax schedule for private sector bonds capital gains and interest incomes applicable to fully taxpayer individuals are summarized below:

Interest Income on Private Sector Bond	Capital Gain on Private Sector Bond
Subject to 10 % withholding tax.	Subject to 10 % withholding tax.
Withholding tax is the final taxation.	Withholding tax is the final taxation.
Not subject to declaration.	Not subject to declaration.

For limited taxpayer individuals private sector bonds capital gains and interest incomes are subject to 0% withholding tax.

Bonds security transfers made to another person or transfers from customer's individual account to his/her joint account is assessed as trading and income tax may occur in case trading income is generated.

#### Private Sector Bond Subscription-Redemption Principles

- The minimum transaction amount depends on the type of the private sector bond.
- On workdays, private sector bond subscription orders given between 10:00-14:00 are executed within the same day; subscription orders given after 14:00 are executed on the next following day.
- On workdays, private sector bond redemption orders given between 09:30-16:30 are executed within the same day
- On behalf of our customers private sector bond subscription/redemption orders are carried out from the Bank's portfolio.
- Private sector bonds are registered and monitored in the account opened at individual owner basis by CRA (Central Registry Agency) in dematerialized form.
- As issuer, corporate company is obliged to pay the principal amount and coupon payments of private sector bonds.

Customer Name Surname:

Customer Signature:

- Private sector bond subscription/redemption orders can be only given through HSBC Bank A.S. branches.
- The current value of private sector bonds can be accessed through HSBC Bank A.S. branches.

### **Fundamental Risks of Private Sector Bond**

**Interest Rate Risk:** Market interest rates have a direct impact on fixed income securities. When interest rates rise, private sector bond prices typically fall, this may cause capital loss.

**Counterparty Risk:** Investors may have total or partial loss of the invested capital due to the bankruptcy or to the weakening of the financial state of the local corporate company. As private sector bonds have risks stemming from the financial status of the issuing corporate company, these investment products are not guaranteed by HSBC Bank A.S. Counterparty risk of private sector bonds is higher compared to fixed income securities issued by Turkish Treasury. Possibilities of default or bankruptcy or deterioration in financial status of the issuer should be considered along with confiscation of its assets by public authority.

**Liquidity Risk:** In secondary markets, there is risk for investors who cash out their investment products. Liquidity risk is the risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value.

**Market Risk:** Due to the fluctuations in the price of financial securities, the portfolio value may decrease and because of that reason investor may experience a loss in capital.

**Country Risk:** The economic, politic and social structure of a country (where the investment is made) in addition to interest rate and exchange rate policies may have impact on the price of the investment product. These risks which can be defined as local risks could be currency restrictions, transfer risks, moratorium, tax regulations etc. Moreover, there can be fluctuations in the price of the equity because of the global economic and politic effects.

**Operational Risk:** The risk that can be based on, directly or indirectly, the inadequate internal processes, people, systems and/or external agents. Investment process is being overseen by internal control and risk management. Additionally, this process is being audited by regulatory authorities.

**Credit Risk:** Issuers of bonds and bills may not be able to repay principal and interest amount on due date

and become default. This risk is higher for corporate bonds compared to government bonds.

**Other Investment Product Risks:** Investment products are not deposits. They are not under guarantee or insurance or any liability of HSBC Bank A.Ş. or other related institutions. Investment products are not insured by any government. Investment products have various risks including capital loss. The past performance of an investment product is not a guarantee for future returns, prices may increase or decrease. Investment products denominated in foreign currencies may be exposed to currency risk and may have capital loss due to fluctuations in exchange rates. All risk regarding the investment products belong to the customer. HSBC is the intermediary for the customer to buy or sell the product and it does not advise or recommend to buy or to sell the product and it does not provide investment consultancy or portfolio management services. Net return may vary due to fluctuations in exchange rates. Expected return may not be obtained.

It is possible to cash out private sector bonds before maturity; however since they will be cashed out with current market prices, investor takes interest rate and market risk. The selling price might be less than the purchase price, this might cause capital loss. Therefore, it may not be a suitable investment for investors who might need immediate cash. Therefore, your risk profile and appetite should be suitable for this product.

### **Guarantee Amount of Investor Compensation Center**

Private sector bonds are under the protection of Investor Compensation Center up to a predetermined announced amount for each investor in accordance with Capital Markets Board regulations. This amount is increased each year by revaluation coefficient. Individuals and institutions excluded from the compensation scope are not subject to this guarantee.

### **Withdrawal Right**

This product cannot be withdrawn.

### **Restrictions on Sale of Investment Products to the Residents of US and Canada**

According to international and HSBC Group regulations investment products could not be offered to the customer who is classified and defined as a U.S. resident (includes residents of the United States of America and all states, the District of Columbia, American Samoa, Puerto Rico, Guam, The Commonwealth of the Northern Mariana Islands, and

**Customer Name Surname:**

**Customer Signature:**

the US Virgin Islands) or Canadian residents. Our customers should inform HSBC Bank A.S. immediately in case of becoming U.S. or Canada resident.

### **Not an Investment Advisory**

The readers should be aware that they are self-responsible for evaluating and analyzing the underlying instruments, investments and transactions in this document and the information herein should not be considered as investment recommendation.

The information and details provided in this basic information should not be considered as investment recommendation. Investment advisory services are provided to individuals by taking into account their risk and return preferences. This product may not be suitable for your risk and return preferences and financial status. Investment decision solely based on information provided in this document may not meet all initial targets. HSBC Group is not responsible for advising on the topics related to law and tax or any other fields that needs expertise.

This document does not provide any opinion on value or suitability of any investment instrument. An investment may not meet all initial targets and conditions and in case of a hesitation it is recommended to ask for opinions and advices from professional investment consultants.

In compliance with CMB Regulations, HSBC Bank A.S. takes necessary measures by creating the organizational set-up and resolution processes to prevent all means of conflict of interest.

### **Legal Warning**

HSBC Bank AS is authorized by Banking Regulation and Supervision Agency (BRSA) for banking activities and is authorized by Capital Market Board (CMB) for capital market activities and it is subject to supervision and scrutiny by those institutions. HSBC Bank A.S. is member of Borsa Istanbul A.S. to make transactions on markets authorized by Borsa Istanbul A.S.

HSBC Bank A.S does not accept any responsibility regarding above information on tax issues. There may be legal and tax risks regarding the transaction; therefore it is recommended to seek guidance from legal and tax advisers to assess such risks.

### **General Information**

In accordance with legislation of European Commission, private sector bond buy order of customers located in one of the EEA (European Economic Area) countries might not be executed. In case any change occurs in the legislation mentioned here, the amendment will become effective and you

will be informed at the stage of order placement accordingly.

The product's risks should be considered before investing in private sector bonds. All these conditions specified in this document can change in the future. This document prepared by HSBC Bank A.S. is for product and/or service presentation and it cannot be partially or completely replicated or distributed without HSBC Bank A.S.'s permission or any legal obligation.

By signing this document you will be accepted as you have taken, read and understood the terms, provisions and information in the Basic Information Document and Prior Information Form of private sector bonds you have demanded by your own volition and whose descriptions can be found above.

A copy of the Basic Information Document and Prior Information Form is given to you.

This document is issued as bilingual and in case of any dispute Turkish version shall prevail.

**Customer Name Surname:**

**Customer Signature:**