

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS  
AND REVIEW REPORT AT 30 SEPTEMBER 2018,  
SEE NOTE I OF SECTION THREE**

**HSBC BANK A.Ş.**

**PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH REVIEW REPORT AT 30 SEPTEMBER 2018**



## AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

To the General Assembly of HSBC Bank A.Ş.;

### *Introduction*

We have reviewed the unconsolidated balance sheet of HSBC Bank A.Ş. ("the Bank") at 30 September 2018 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### *Scope of Review*

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



### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the financial position of HSBC Bank A.Ş. at 30 September 2018 and the results of its operations and its cash flows for the nine-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

### *Report on other regulatory requirements arising from legislation*

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim report in Section Seven, is not consistent with the reviewed unconsolidated financial statements and disclosures in all material respects.

### *Additional Paragraph for Convenience Translation*

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

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

Zeynep Uras, SMMM  
Partner

Istanbul, 12 November 2018

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

**UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.Ş.  
AS OF AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

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

Hamit Aydoğan  
Vice President of the  
Executive Board

Süleyman Selim Kervancı  
General  
Manager

Burçin Ozan  
Financial Reporting  
Assistant General  
Manager

Yerliozan Kül  
Group Head

Robert Adrian Underwood  
Head of  
Audit Committee

Neslihan Erkazancı  
Member of  
Audit Committee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Burcu Eker/Manager  
Tel : (0212) 376 4157  
Fax : (0212) 376 4912

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2018**

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

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

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

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (“The Bank”) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The Bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224. On 20 September 2001, the ‘Share Sales Agreement’ regarding the sale of all shares of Demirbank T.A.Ş., which was under in Saving Deposit Insurance Fund, was signed by the Bank’s main shareholder HSBC Bank Plc. According to this agreement, the required procedures shall be completed by 31 October 2001 and all shares of the Demirbank T.A.Ş., together with a part of the assets and liabilities shall be transferred to HSBC Bank Plc on 31 October 2001. In 14 December 2001, Demirbank T.A.Ş. and the Bank merged under the name of HSBC Bank Anonim Şirketi and continued its activities. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.’s 100% ownership of the Bank’s capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

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

As of 30 September 2018, the Bank’s nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.’s 100% ownership of the Bank’s capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017. As of 30 September 2018 there has been no changes regarding the Bank’s capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2018**

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

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

<b><u>Title</u></b>	<b><u>Name</u></b>	<b><u>Responsibility</u></b>	<b><u>Education</u></b>
<b>Chairman of the Board:</b>	David Gordon ELDON	Chairman	Undergraduate
<b>Deputy Chairman of the Board:</b>	Hamit AYDOĞAN	Deputy Chairman	Undergraduate
<b>Board of Directors :</b>	Süleyman Selim KERVANCI Robert Adrian UNDERWOOD Mehmet Gani SÖNMEZ Edward Michael FLANDERS Neslihan ERKAZANCI Georges EL HEDERY	Member, CEO Member Member Member Member Member	Graduate Undergraduate Undergraduate Undergraduate Undergraduate Graduate
<b>CEO:</b>	Süleyman Selim KERVANCI	CEO	Graduate
<b>Head of Internal Audit:</b>	Umut PASİN	Head of Internal Audit	Undergraduate
<b>Deputy CEO:</b>	Rüçhan ÇANDAR	Technology and Services	Graduate
<b>Executive Vice Presidents (*):</b>	Anthony WRIGHT Yiğit ARSLANCIK Ayşe YENEL Burçin OZAN Rüçhan ÇANDAR Funda TEMOÇİN AYDOĞAN İbrahim Namık AKSEL	Credit and Risk Corporate and Investment Banking Retail Banking Finance Technology and Services Human Resources Treasury and Capital Markets	Graduate Graduate Undergraduate Undergraduate Graduate Undergraduate Graduate
<b>Audit Committee:</b>	Robert Adrian UNDERWOOD Neslihan ERKAZANCI	Head of the Audit Committee Member of the Audit Committee	Graduate Undergraduate

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

(\*) Per the Board Decision no. 14125 dated 11 July 2018, Hulusi HOROZOĞLU has resigned from his role as the executive vice president responsible for Corporate and Investment Banking as of 11 July 2018 and as per the Board Decision no. 14183 dated 5 November 2018, Yiğit ARSLANCIK was appointed in his place as the Executive Vice President responsible for Corporate and Investment Banking.

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2018**

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

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

Name/Commercial Title	Share Amounts (Nominal) (*)	Share Percentages	Paid-in capital (Nominal) (*)	Unpaid Portion
HSBC Middle East Holdings B.V.	586.995.771	89,99%	586.995.771	-
HSBC Bank Middle East Limited	65.294.226	10,01%	65.294.226	-

(\*) The amounts are expressed in full TL.

**V. SUMMARY INFORMATION ON THE BANK'S ACTIVITIES AND SERVICES**

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

- To accept all kinds of deposits both in Turkish Lira and in foreign currency,
- To provide funds in Turkish Lira and foreign exchange, for own use or as an intermediary,
- To launch cash and non-cash loans,
- To perform discount and purchase activities,
- To perform order transmissions brokerage, transactions brokerage, portfolios brokerage, restricted custody and general custody activities in accordance with Capital Markets regulations,
- To perform factoring activities,
- To perform payment services.

In addition to regular banking operations in accordance to the articles of association, the Bank also provides insurance intermediary services as an agency of Axa Sigorta, Zurich Sigorta, Allianz Hayat ve Emeklilik, Allianz Sigorta, Gulf Sigorta, Euler Hermes and Anadolu Hayat Emeklilik, and JLT Sigorta ve Brokerlik through its branches and investment intermediary services, also undertaking the role of steering customers for portfolio sharing as an agent for transmitting orders of HSBC Yatırım.

As of 30 September 2018, the Bank has 82 branches dispersed throughout the country (31 December 2017: 82 branches).

As of 30 September 2018, the number of employees of the Bank is 2.250 (31 December 2017: 2.478).

**VI. OTHER MATTERS**

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

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

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, the non-financial associates, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. are not consolidated in the consolidated financial statements prepared in accordance with TAS based on line-by-line method. The Bank's subsidiary HSBC Yatırım ve Menkul Değerler A.Ş. is included in the scope of consolidation by line-by-line method. HSBC İnternet ve Telekomunikasyon Hizmetleri A.Ş.'s Liquidation process has been finalized on 16 August 2017.

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

None.



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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2018**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**SECTION TWO**

**UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance Sheet**
- II. Statement of Off - Balance Sheet Commitments**
- III. Statement of Profit or Loss**
- IV. Statement of Profit or Loss and Other Comprehensive Income**
- V. Statement of Changes in Shareholders’ Equity**
- VI. Statement of Cash Flows**

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2018  
(STATEMENT OF FINANCIAL POSITION)**

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

**SECTION TWO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. BALANCE SHEET	Note (Section Five I)	Reviewed Current Period (30.09.2018)		
		TL	FC	Total
		<b>ASSETS</b>		
<b>I. FINANCIAL ASSETS (NET)</b>		<b>1.455.209</b>	<b>13.919.954</b>	<b>15.375.163</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>592.126</b>	<b>11.857.989</b>	<b>12.450.115</b>
1.1.1 Cash and Balances with Central Bank	(I-a)	359.325	3.761.476	4.120.801
1.1.2 Banks	(I-c)	16.448	2.220.735	2.237.183
1.1.3 Money Markets		216.353	5.875.778	6.092.131
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	<b>(I-b)</b>	<b>341.662</b>	<b>33.096</b>	<b>374.758</b>
1.2.1 Government Debt Securities		337.437	11.365	348.802
1.2.2 Equity Instruments		4.225	21.731	25.956
1.2.3 Other Financial Assets		-	-	-
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(I-d)</b>	<b>503.770</b>	<b>-</b>	<b>503.770</b>
1.3.1 Government Debt Securities		503.770	-	503.770
1.3.2 Equity Instruments		-	-	-
1.3.3 Other Financial Assets		-	-	-
<b>1.4 Financial Assets Measured at Amortised Cost</b>	<b>(I-f)</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
<b>1.5 Derivative Financial Assets</b>		<b>17.651</b>	<b>2.028.869</b>	<b>2.046.520</b>
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		17.651	2.028.869	2.046.520
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-k)	-	-	-
<b>II. LOANS (Net)</b>	<b>(I-e)</b>	<b>12.355.849</b>	<b>7.023.776</b>	<b>19.379.625</b>
<b>2.1 Loans</b>		<b>12.024.881</b>	<b>6.878.670</b>	<b>18.903.551</b>
2.1.1 Loans Measured at Amortised Cost		12.024.881	6.878.670	18.903.551
2.1.2 Loans at Fair Value Through Profit or Loss		-	-	-
2.1.3 Loans at Fair Value Through Other Comprehensive Income		-	-	-
<b>2.2 Lease Receivables</b>	<b>(I-j)</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
<b>2.3 Factoring Receivables</b>		<b>137.359</b>	<b>145.106</b>	<b>282.465</b>
2.3.1 Measured at Amortised Cost		137.359	145.106	282.465
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
<b>2.4 Non-Performing Loans</b>		<b>863.898</b>	<b>-</b>	<b>863.898</b>
<b>2.5 Specific Provisions (-)</b>		<b>670.289</b>	<b>-</b>	<b>670.289</b>
<b>III. NON-CURRENT ASSETS OR DISPOSAL GROUPS “HELD FOR SALE”AND “HELD FROM DISCONTINUED OPERATIONS” (Net)</b>	<b>(I-p)</b>	<b>1.581</b>	<b>-</b>	<b>1.581</b>
3.1 Held for Sale Purpose		1.581	-	1.581
3.2 Related to Discontinued Operations		-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>34.973</b>	<b>-</b>	<b>34.973</b>
<b>4.1 Investments in Associates (Net)</b>	<b>(I-g)</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
<b>4.2 Investment in Subsidiaries (Net)</b>	<b>(I-h)</b>	<b>34.973</b>	<b>-</b>	<b>34.973</b>
4.2.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753
4.2.2 Unconsolidated Non-Financial Subsidiaries		220	-	220
<b>4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)</b>	<b>(I-i)</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>	<b>(I-l)</b>	<b>83.272</b>	<b>-</b>	<b>83.272</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>(I-m)</b>	<b>144.480</b>	<b>-</b>	<b>144.480</b>
6.1 Goodwill		-	-	-
6.2 Other		144.480	-	144.480
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>(I-n)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>5.814</b>	<b>-</b>	<b>5.814</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>(I-o)</b>	<b>172.918</b>	<b>-</b>	<b>172.918</b>
<b>X. OTHER ASSETS</b>	<b>(I-r)</b>	<b>116.360</b>	<b>409.999</b>	<b>526.359</b>
<b>TOTAL ASSETS</b>		<b>14.370.456</b>	<b>21.353.729</b>	<b>35.724.185</b>

The accompanying explanations and notes set out on pages 18 to 92 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017  
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five I)	Audited Prior Period (31.12.2017)		
		TL	FC	Total
		<b>ASSETS</b>		
<b>I. CASH BALANCES WITH THE CENTRAL BANK</b>	(I-a)	1.970.986	1.932.469	3.903.455
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)</b>	(I-b)	419.646	526.987	946.633
2.1 Trading Financial Assets		419.646	526.987	946.633
2.1.1 Government Debt Securities		232.633	20.381	253.014
2.1.2 Share Certificates		-	-	-
2.1.3 Trading Derivative Financial Assets		181.593	506.606	688.199
2.1.4 Other Marketable Securities		5.420	-	5.420
2.2 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-
2.2.1 Government Debt Securities		-	-	-
2.2.2 Share Certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other Marketable Securities		-	-	-
<b>III. BANKS</b>	(I-c)	821	343.112	343.933
<b>IV. MONEY MARKETS</b>		210.220	1.584.745	1.794.965
4.1 Interbank Money Market Placements		-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-
4.3 Receivables from Reverse Repurchase Agreements		210.220	1.584.745	1.794.965
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	(I-d)	1.353.290	8.874	1.362.164
5.1 Share Certificates		4.225	8.874	13.099
5.2 Government Debt Securities		1.349.065	-	1.349.065
5.3 Other Marketable Securities		-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	(I-e)	10.626.672	4.585.932	15.212.604
6.1 Loans		10.350.888	4.585.932	14.936.820
6.1.1 Loans to Bank's Risk Group	(VII)	-	5.338	5.338
6.1.2 Government Debt Securities		-	-	-
6.1.3 Other		10.350.888	4.580.594	14.931.482
6.2 Non-Performing Loans		863.151	-	863.151
6.3 Specific Provisions (-)		587.367	-	587.367
<b>VII. FACTORING RECEIVABLES</b>		394.213	-	394.213
<b>VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)</b>	(I-f)	-	-	-
8.1 Government Debt Securities		-	-	-
8.2 Other Marketable Securities		-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(I-g)	-	-	-
9.1 Associates Consolidated Based on Equity Method		-	-	-
9.2 Unconsolidated		-	-	-
9.2.1 Financial Investments in Associates		-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-
<b>X. SUBSIDIARIES (Net)</b>	(I-h)	34.973	-	34.973
10.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753
10.2 Unconsolidated Non-financial Subsidiaries		220	-	220
<b>XI. JOINT VENTURES (Net)</b>	(I-i)	-	-	-
11.1 Accounted Based on Equity Method		-	-	-
11.2 Unconsolidated		-	-	-
11.2.1 Financial Joint Ventures		-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-
<b>XII. FINANCIAL LEASE RECEIVABLES (Net)</b>	(I-j)	-	-	-
12.1 Financial Lease Receivables		-	-	-
12.2 Operating Lease Receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned Income (-)		-	-	-
<b>XIII. HEDGING DERIVATIVE FINANCIAL ASSETS</b>	(I-k)	-	-	-
13.1 Fair Value Hedge		-	-	-
13.2 Cash Flow Hedge		-	-	-
13.3 Foreign Net Investment Hedge		-	-	-
<b>XIV. PROPERTY AND EQUIPMENT (Net)</b>	(I-l)	82.671	-	82.671
<b>XV. INTANGIBLE ASSETS (Net)</b>	(I-m)	147.758	-	147.758
15.1 Goodwill		-	-	-
15.2 Other		147.758	-	147.758
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	(I-n)	-	-	-
<b>XVII. TAX ASSET</b>		163.605	-	163.605
17.1 Current Tax Asset		17.340	-	17.340
17.2 Deferred Tax Asset	(I-o)	146.265	-	146.265
<b>XVIII. ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(I-p)	1.690	-	1.690
18.1 Held for sale Purposes		1.690	-	1.690
18.2 Related to Discontinued Operations		-	-	-
<b>XIX. OTHER ASSETS</b>	(I-r)	100.897	138.362	239.259
<b>TOTAL ASSETS</b>		<b>15.507.442</b>	<b>9.120.481</b>	<b>24.627.923</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes set out on pages 18 to 92 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2018  
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Reviewed Current Period (30.09.2018)		
		TL	FC	Total
		<b>LIABILITIES</b>		
<b>I. DEPOSITS</b>	<b>(II-a)</b>	<b>7.790.420</b>	<b>16.317.341</b>	<b>24.107.761</b>
<b>II. FUNDS BORROWED</b>	<b>(II-d)</b>	<b>588.241</b>	<b>1.306.395</b>	<b>1.894.636</b>
<b>III. MONEY MARKETS</b>	<b>(II-c)</b>	<b>1.541.343</b>	-	<b>1.541.343</b>
<b>IV. SECURITIES ISSUED (Net)</b>		-	-	-
4.1 Bills		-	-	-
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
<b>V. FUNDS</b>		-	-	-
5.1 Borrower Funds		-	-	-
5.2 Other		-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(II-b)</b>	<b>3.708</b>	<b>1.806.655</b>	<b>1.810.363</b>
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		3.708	1.806.655	1.810.363
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	<b>(II-g)</b>	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-
<b>IX. LEASE LIABILITIES</b>	<b>(II-f)</b>	-	-	-
9.1 Financial Lease Payables		-	-	-
9.2 Operational Lease Payables		-	-	-
9.3 Other		-	-	-
9.4 Deferred Finance Lease Expenses (-)		-	-	-
<b>X. PROVISIONS</b>	<b>(II-h)</b>	<b>459.591</b>	<b>218.412</b>	<b>678.003</b>
10.1 General Loan Loss Provisions		284.827	216.936	501.763
10.2 Provision for Restructuring		47.846	-	47.846
10.3 Reserves for Employee Benefits		59.732	-	59.732
10.4 Insurance Technical Reserves (Net)		-	-	-
10.5 Other Provisions		67.186	1.476	68.662
<b>XI. CURRENT TAX LIABILITY</b>	<b>(II-i)</b>	<b>54.667</b>	-	<b>54.667</b>
<b>XII. DEFERRED TAX LIABILITY</b>	<b>(II-i)</b>	-	-	-
<b>XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS “HELD FOR SALE” AND “HELD FROM DISCONTINUED OPERATIONS”(Net)</b>	<b>(II-j)</b>	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
<b>XIV. SUBORDINATED DEBT</b>	<b>(II-k)</b>	-	<b>1.732.119</b>	<b>1.732.119</b>
14.1 Loans		-	1.732.119	1.732.119
14.2 Other Debt Instruments		-	-	-
<b>XV. OTHER LIABILITIES</b>		<b>501.726</b>	<b>602.655</b>	<b>1.104.381</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>(II-l)</b>	<b>2.800.912</b>	-	<b>2.800.912</b>
16.1 Paid-in Capital		652.290	-	652.290
16.2 Capital Reserves		272.693	-	272.693
16.2.1 Equity Share Premiums		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		272.693	-	272.693
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(26.242)	-	(26.242)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(87.690)	-	(87.690)
16.5 Profit Reserves		1.744.824	-	1.744.824
16.5.1 Legal Reserves		184.141	-	184.141
16.5.2 Statuary Reserves		-	-	-
16.5.3 Extraordinary Reserves		1.560.683	-	1.560.683
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or (Loss)		245.037	-	245.037
16.6.1 Prior Periods' Profit/(Loss)		-	-	-
16.6.2 Current Period Profit/(Loss)		245.037	-	245.037
16.7 Minority Interest		-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>13.740.608</b>	<b>21.983.577</b>	<b>35.724.185</b>

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**HSBC BANK A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017  
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Audited Prior Period (31.12.2017)		
		TL	FC	Total
		LIABILITIES		
<b>I. DEPOSITS</b>	(II-a)	<b>4.802.781</b>	<b>11.566.934</b>	<b>16.369.715</b>
1.1 Deposits of Bank’s risk group	(VII)	82.773	8.165	90.938
1.2 Other		4.720.008	11.558.769	16.278.777
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	(II-b)	<b>207.234</b>	<b>531.945</b>	<b>739.179</b>
<b>III. BORROWINGS</b>	(II-d)	<b>818.610</b>	<b>1.786.117</b>	<b>2.604.727</b>
<b>IV. MONEY MARKETS</b>		-	-	-
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)	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-
5.1 Bills		-	-	-
5.2 Asset Backed Securities		-	-	-
5.3 Bonds		-	-	-
<b>VI. FUNDS</b>		-	-	-
6.1 Borrower Funds		-	-	-
6.2 Other		-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>249.738</b>	<b>13.693</b>	<b>263.431</b>
<b>VIII. OTHER LIABILITIES</b>	(II-e)	<b>246.521</b>	<b>15.681</b>	<b>262.202</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-
<b>X. FINANCIAL LEASE PAYABLES (Net)</b>	(II-f)	-	-	-
10.1 Financial Lease Payables		-	-	-
10.2 Operational Lease Payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	(II-g)	-	-	-
11.1 Fair Value Hedge		-	-	-
11.2 Cash Flow Hedge		-	-	-
11.3 Foreign Net Investment Hedge		-	-	-
<b>XII. PROVISIONS</b>	(II-h)	<b>679.488</b>	<b>1.585</b>	<b>681.073</b>
12.1 General Loan Loss Provisions		430.929	-	430.929
12.2 Restructuring Provisions		85.965	-	85.965
12.3 Reserve for Employee Rights		63.516	-	63.516
12.4 Insurance Technical Provisions (Net)		-	-	-
12.5 Other Provisions		99.078	1.585	100.663
<b>XIII. TAX LIABILITY</b>	(II-i)	<b>42.466</b>	-	<b>42.466</b>
13.1 Current Tax Liability		42.466	-	42.466
13.2 Deferred Tax Liability		-	-	-
<b>XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(II-j)	-	-	-
14.1 Held for Sale Purpose		-	-	-
14.2 Related to Discontinued Operations		-	-	-
<b>XV. SUBORDINATED LOANS</b>	(II-k)	-	<b>1.100.050</b>	<b>1.100.050</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(II-l)	<b>2.560.357</b>	<b>4.723</b>	<b>2.565.080</b>
16.1 Paid-in Capital		652.290	-	652.290
16.2 Capital Reserves		254.663	4.723	259.386
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Marketable Securities Valuation Differences		(22.622)	4.723	(17.899)
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)		4.592	-	4.592
16.2.9 Value Increase in Property and Equipment Held for Sale and Related to Discontinued Operations		-	-	-
16.2.10 Other Capital Reserves		272.693	-	272.693
16.3 Profit Reserves		1.344.667	-	1.344.667
16.3.1 Legal Reserves		184.141	-	184.141
16.3.2 Status Reserves		-	-	-
16.3.3 Extraordinary Reserves		1.191.037	-	1.191.037
16.3.4 Other Profit Reserves		(30.511)	-	(30.511)
16.4 Profit or Loss		308.737	-	308.737
16.4.1 Prior Periods’ Profit/(Loss)		-	-	-
16.4.2 Current Period Profit/(Loss)		308.737	-	308.737
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>9.607.195</b>	<b>15.020.728</b>	<b>24.627.923</b>

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**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS  
AS OF 30 SEPTEMBER 2018**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Reviewed Current Period (30.09.2018)		
		TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>29.952.667</b>	<b>88.751.730</b>	<b>118.704.397</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(III-a-2,3)</b>	<b>1.016.871</b>	<b>3.045.170</b>	<b>4.062.041</b>
1.1 Letters of Guarantee		1.016.871	1.011.136	2.028.007
1.1.1 Guarantees Subject to State Tender Law		-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-
1.1.3 Other Letters of Guarantee		1.016.871	1.011.136	2.028.007
1.2 Bank Acceptances		-	1.746	1.746
1.2.1 Import Letter of Acceptance		-	1.746	1.746
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		-	1.602.175	1.602.175
1.3.1 Documentary Letters of Credit		-	1.378.575	1.378.575
1.3.2 Other Letters of Credit		-	223.600	223.600
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-
1.7 Factoring Guarantees		-	-	-
1.8 Other Guarantees		-	430.113	430.113
1.9 Other Collaterals		-	-	-
<b>II. COMMITMENTS</b>	<b>(III-a-1)</b>	<b>9.661.569</b>	<b>9.745.578</b>	<b>19.407.147</b>
2.1 Irrevocable Commitments		9.661.569	9.745.578	19.407.147
2.1.1 Asset Purchase and Sale Commitments		5.027.417	9.745.032	14.772.449
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4 Loan Granting Commitments		544.997	-	544.997
2.1.5 Securities Issue Brokerage Commitments		-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-
2.1.7 Commitments for Cheque Payments		22.654	-	22.654
2.1.8 Tax and Fund Liabilities from Export Commitments		2.286	-	2.286
2.1.9 Commitments for Credit Card Limits		3.465.315	-	3.465.315
2.1.10 Commitments for Credit Cards and Banking Services Promotions		13.468	-	13.468
2.1.11 Receivables From Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13 Other Irrevocable Commitments		585.432	546	585.978
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(III-b)</b>	<b>19.274.227</b>	<b>75.960.982</b>	<b>95.235.209</b>
3.1 Hedging Derivative Financial Instruments		-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-
3.2 Trading Transactions		19.274.227	75.960.982	95.235.209
3.2.1 Forward Foreign Currency Buy/Sell Transactions		4.455.577	7.012.888	11.468.465
3.2.1.1 Forward Foreign Currency Transactions-Buy		3.129.432	2.603.496	5.732.928
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.326.145	4.409.392	5.735.537
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		10.804.084	60.058.599	70.862.683
3.2.2.1 Foreign Currency Swap-Buy		4.445.914	15.646.043	20.091.957
3.2.2.2 Foreign Currency Swap-Sell		6.358.170	13.562.130	19.920.300
3.2.2.3 Interest Rate Swap-Buy		-	15.425.213	15.425.213
3.2.2.4 Interest Rate Swap-Sell		-	15.425.213	15.425.213
3.2.3 Foreign Currency, Interest rate and Securities Options		4.014.566	8.882.736	12.897.302
3.2.3.1 Foreign Currency Options-Buy		2.007.283	4.441.368	6.448.651
3.2.3.2 Foreign Currency Options-Sell		2.007.283	4.441.368	6.448.651
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		-	6.759	6.759
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>71.857.793</b>	<b>28.999.934</b>	<b>100.857.727</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>62.717.890</b>	<b>3.891.089</b>	<b>66.608.979</b>
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		61.100.659	3.615.600	64.716.259
4.3 Checks Received for Collection		61.234	82.018	143.252
4.4 Commercial Notes Received for Collection		172.887	124.385	297.272
4.5 Other Assets Received for Collection		-	69.086	69.086
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		1.383.110	-	1.383.110
4.8 Custodians		-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>8.129.397</b>	<b>18.195.719</b>	<b>26.325.116</b>
5.1 Marketable Securities		51.931	873.770	925.701
5.2 Guarantee Notes		57.249	365.555	422.804
5.3 Commodity		489.542	716.259	1.205.801
5.4 Warranty		-	-	-
5.5 Immovable Properties		4.451.976	5.483.882	9.935.858
5.6 Other Pledged Items		3.078.699	10.756.253	13.834.952
5.7 Pledged Items-Depository		-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>1.010.506</b>	<b>6.913.126</b>	<b>7.923.632</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>101.810.460</b>	<b>117.751.664</b>	<b>219.562.124</b>

The accompanying explanations and notes set out on pages 18 to 92 form an integral part of these financial statements.

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**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS  
AS OF 31 DECEMBER 2017**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Audited Prior Period (31.12.2017)		
		TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>38.749.790</b>	<b>71.006.021</b>	<b>109.755.811</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(III-a-2,3)</b>	<b>922.438</b>	<b>1.874.869</b>	<b>2.797.307</b>
1.1 Letters of Guarantee		918.638	671.301	1.589.939
1.1.1 Guarantees Subject to State Tender Law		-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		16.647	2.407	19.054
1.1.3 Other Letters of Guarantee		901.991	668.894	1.570.885
1.2 Bank Acceptances		-	155.184	155.184
1.2.1 Import Letter of Acceptance		-	155.184	155.184
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		-	698.997	698.997
1.3.1 Documentary Letters of Credit		-	637.983	637.983
1.3.2 Other Letters of Credit		-	61.014	61.014
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-
1.7 Factoring Guarantees		-	-	-
1.8 Other Guarantees		3.800	349.387	353.187
1.9 Other Collaterals		-	-	-
<b>II. COMMITMENTS</b>	<b>(III-a-1)</b>	<b>9.271.227</b>	<b>7.341.030</b>	<b>16.612.257</b>
2.1 Irrevocable Commitments		9.271.227	7.341.030	16.612.257
2.1.1 Asset Purchase and Sale Commitments		4.047.515	7.340.693	11.388.208
2.1.2 Forward Deposit Purchase and Sales Commitments		-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4 Loan Granting Commitments		246.829	-	246.829
2.1.5 Securities Issue Brokerage Commitments		-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-
2.1.7 Commitments for Cheque Payments		489.830	-	489.830
2.1.8 Tax and Fund Liabilities from Export Commitments		1.892	-	1.892
2.1.9 Commitments for Credit Card Limits		3.872.439	-	3.872.439
2.1.10 Commitments for Credit Cards and Banking Services Promotions		14.780	-	14.780
2.1.11 Receivables From Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13 Other Irrevocable Commitments		597.942	337	598.279
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(III-b)</b>	<b>28.556.125</b>	<b>61.790.122</b>	<b>90.346.247</b>
3.1 Hedging Derivative Financial Instruments		-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-
3.2 Trading Transactions		28.556.125	61.790.122	90.346.247
3.2.1 Forward Foreign Currency Buy/Sell Transactions		4.268.195	5.456.776	9.724.971
3.2.1.1 Forward Foreign Currency Transactions-Buy		2.886.489	2.019.974	4.906.463
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.381.706	3.436.802	4.818.508
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		20.400.897	49.792.847	70.193.744
3.2.2.1 Foreign Currency Swap-Buy		5.217.788	20.598.966	25.816.754
3.2.2.2 Foreign Currency Swap-Sell		15.183.109	10.802.517	25.985.626
3.2.2.3 Interest Rate Swap-Buy		-	9.195.682	9.195.682
3.2.2.4 Interest Rate Swap-Sell		-	9.195.682	9.195.682
3.2.3 Foreign Currency, Interest rate and Securities Options		3.887.033	6.529.043	10.416.076
3.2.3.1 Foreign Currency Options-Buy		1.941.852	3.266.220	5.208.072
3.2.3.2 Foreign Currency Options-Sell		1.945.181	3.262.823	5.208.004
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		-	11.456	11.456
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>24.463.314</b>	<b>55.809.728</b>	<b>80.273.042</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>10.653.702</b>	<b>1.650.912</b>	<b>12.304.614</b>
4.1 Customer Fund and Portfolio Balances		1.375.193	-	1.375.193
4.2 Investment Securities Held in Custody		6.809.800	1.490.481	8.300.281
4.3 Checks Received for Collection		755.122	50.506	805.628
4.4 Commercial Notes Received for Collection		159.074	-	159.074
4.5 Other Assets Received for Collection		-	8.582	8.582
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		1.554.513	101.343	1.655.856
4.8 Custodians		-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>8.530.950</b>	<b>9.604.114</b>	<b>18.135.064</b>
5.1 Marketable Securities		32.689	-	32.689
5.2 Guarantee Notes		157.629	400.689	558.318
5.3 Commodity		240	496	736
5.4 Warranty		-	-	-
5.5 Immovable Properties		5.069.460	3.305.779	8.375.239
5.6 Other Pledged Items		3.270.932	5.897.150	9.168.082
5.7 Pledged Items-Depository		-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>5.278.662</b>	<b>44.554.702</b>	<b>49.833.364</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>63.213.104</b>	<b>126.815.749</b>	<b>190.028.853</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying explanations and notes set out on pages 18 to 92 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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IN TURKISH, SEE IN NOTE 3.I**

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD  
ENDED 30 SEPTEMBER 2018**

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

<b>III. STATEMENT OF PROFIT OR LOSS</b>		<b>Reviewed</b>	
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period (01.01.2018 – 30.09.2018)</b>	<b>Current Period (01.07.2018 – 30.09.2018)</b>
<b>I. INTEREST INCOME</b>	<b>(IV-a)</b>	<b>2.123.022</b>	<b>769.639</b>
1.1 Interest Income on Loans	(IV-a-1)	1.568.906	656.771
1.2 Interest Received from Reserve Requirements		27.248	11.911
1.3 Interest Received from Banks	(IV-a-2)	379.950	43.562
1.4 Interest Received from Money Market Transactions		71.407	35.337
1.5 Interest Received from Marketable Securities Portfolio	(IV-a-3)	74.075	22.035
1.5.1 Financial Assets at Fair Value through Profit or (Loss)		7.078	3.910
1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income		66.997	18.125
1.5.3 Financial Assets at Measured at Amortised Cost		-	-
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		1.436	23
<b>II. INTEREST EXPENSE</b>	<b>(IV-b)</b>	<b>930.305</b>	<b>421.617</b>
2.1 Interest Expense on Deposits	(IV-b-4)	694.913	321.290
2.2 Interest Expense on Funds Borrowed	(IV-b-1)	196.488	75.835
2.3 Interest Expense on Money Market Transactions		28.205	21.450
2.4 Interest on Securities Issued	(IV-b-3)	-	-
2.5 Other Interest Expenses		10.699	3.042
<b>III. NET INTEREST INCOME/EXPENSE (I + II)</b>		<b>1.192.717</b>	<b>348.022</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>262.871</b>	<b>89.183</b>
4.1 Fees and Commissions Received		292.576	99.463
4.1.1 Non-Cash Loans		24.683	11.405
4.1.2 Other	(IV-l)	267.893	88.058
4.2 Fees and Commissions Paid		29.705	10.280
4.2.1 Non-Cash Loans		515	165
4.2.2 Other		29.190	10.115
<b>V. PERSONNEL EXPENSES (-)</b>	<b>(IV-g)</b>	<b>311.982</b>	<b>97.711</b>
<b>VI. DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>20.730</b>	<b>-</b>
<b>VII. TRADING INCOME/(LOSS) (Net)</b>	<b>(IV-d)</b>	<b>(361.541)</b>	<b>(3.318)</b>
7.1 Trading Gains/(Losses) on Securities		10.736	2.040
7.2 Derivative Financial Transactions Gains/(Losses)		2.165.660	1.012.960
7.3 Foreign Exchange Gains/(Losses)		(2.537.937)	(1.018.318)
<b>VIII. OTHER OPERATING INCOME</b>	<b>(IV-e)</b>	<b>177.366</b>	<b>6.697</b>
<b>IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>980.161</b>	<b>342.873</b>
<b>X. PROVISION FOR LOAN LOSSES (-)</b>	<b>(IV-f)</b>	<b>229.185</b>	<b>83.875</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	<b>(IV-g)</b>	<b>428.423</b>	<b>150.293</b>
<b>XII. NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>		<b>322.553</b>	<b>108.705</b>
<b>XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVI. INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)</b>		<b>322.553</b>	<b>108.705</b>
<b>XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(IV-i)</b>	<b>(77.516)</b>	<b>(31.609)</b>
17.1 Current Tax Provision		(18.632)	(8.608)
17.2 Deferred Tax Income Effect (+)		(58.884)	(23.001)
17.3 Deferred Tax Expense Effect (-)		-	-
<b>XVIII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XVI±XVII)</b>	<b>(IV-j)</b>	<b>245.037</b>	<b>77.096</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
19.1 Income from Non-Current Assets Held for Resale		-	-
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3 Other Income From Discontinued Operations		-	-
<b>XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
20.1 Expenses for Non-Current Assets Held for Resale		-	-
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
20.3 Other Expenses From Discontinued Operations		-	-
<b>XXI. PROFIT/LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>	<b>-</b>
<b>XXII. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
22.1 Current Tax Provision		-	-
22.2 Deferred Tax Income Effect (+)		-	-
22.3 Deferred Tax Expense Effect (-)		-	-
<b>XXIII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		<b>-</b>	<b>-</b>
<b>XXIV. NET PROFIT/LOSSES (XVIII+XXIII)</b>	<b>(IV-k)</b>	<b>245.037</b>	<b>77.096</b>
Earnings/Loss per Share		0,003757	0,001182

The accompanying explanations and notes set out on pages 18 to 92 form an integral part of these financial statements.



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**HSBC BANK A.Ş.**

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

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

III. INCOME STATEMENT		Reviewed		
		Note (Section Five IV)	Prior Period (01.01.2017 - 30.09.2017)	Prior Period (01.07.2017 - 30.09.2017)
<b>INCOME AND EXPENSE ITEMS</b>				
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(IV-a)</b>	<b>1.640.115</b>	<b>609.052</b>
1.1	Interest on Loans	(IV-a-1)	1.170.920	408.130
1.2	Interest Received from Reserve Requirements		17.393	6.009
1.3	Interest Received from Banks	(IV-a-2)	234.925	141.129
1.4	Interest Received from Money Market Transactions		102.899	15.937
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	112.067	37.255
1.5.1	Trading Financial Assets		6.994	1.713
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-
1.5.3	Available-for-sale Financial Assets		105.073	35.542
1.5.4	Held to Maturity Investments		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		1.911	592
<b>II.</b>	<b>INTEREST EXPENSE</b>	<b>(IV-b)</b>	<b>641.732</b>	<b>221.005</b>
2.1	Interest on Deposits	(IV-b-4)	445.595	161.517
2.2	Interest on Funds Borrowed	(IV-b-1)	168.800	57.108
2.3	Interest Expense on Money Market Transactions		18.376	129
2.4	Interest on Securities Issued	(IV-b-3)	-	-
2.5	Other Interest Expenses		8.961	2.251
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>998.383</b>	<b>388.047</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>253.600</b>	<b>81.326</b>
4.1	Fees and Commissions Received		283.946	91.713
4.1.1	Non-Cash Loans		15.533	4.904
4.1.2	Other		268.413	86.809
4.2	Fees and Commissions Paid		30.346	10.387
4.2.1	Non-Cash Loans		604	210
4.2.2	Other		29.742	10.177
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>42.539</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	<b>(IV-d)</b>	<b>(363.531)</b>	<b>(172.453)</b>
6.1	Trading Gains/Losses on Securities		14.221	3.719
6.2	Derivative Financial Transactions Gains/Losses		(348.223)	(32.427)
6.3	Foreign Exchange Gains/Losses		(29.529)	(143.745)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(IV-e)</b>	<b>205.359</b>	<b>48.283</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.136.350</b>	<b>345.203</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-f)</b>	<b>284.548</b>	<b>65.994</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(IV-g)</b>	<b>714.642</b>	<b>235.279</b>
<b>XI.</b>	<b>NET OPERATING INCOME/LOSS (VIII-IX-X)</b>		<b>137.160</b>	<b>43.930</b>
<b>XII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)</b>		<b>137.160</b>	<b>43.930</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(IV-h)</b>	<b>(2.280)</b>	<b>(2.079)</b>
16.1	Current Tax Provision	(IV-i)	(1.424)	(1.424)
16.2	Deferred Tax Provision		(856)	(655)
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(IV-j)</b>	<b>134.880</b>	<b>41.851</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1	Income from Non-Current Assets Held for Sale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1	Expenses for Non-Current Assets Held for Sale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (Business Partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
<b>XX.</b>	<b>PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		<b>-</b>	<b>-</b>
<b>XXI.</b>	<b>PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(IV-k)</b>	<b>134.880</b>	<b>41.851</b>
	Earnings/Loss per Share (The amounts are expressed in full TL)		0,002068	0,000642

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**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017**

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

<b>IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		<b>Reviewed Current Period (30.09.2018)</b>
<b>I.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>245.037</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(65.391)</b>
<b>2.1</b>	<b>Not Reclassified Through Profit or Loss</b>	<b>4.269</b>
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	5.384
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(1.115)
<b>2.2</b>	<b>Reclassified Through Profit or Loss</b>	<b>(69.660)</b>
2.2.1	Foreign Currency Translation Differences	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(86.641)
2.2.3	Cash Flow Hedge Income/Loss	(2.117)
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	19.098
<b>XII.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>179.646</b>

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

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

**HSBC BANK A.Ş.**

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

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																	
Reviewed 30 September 2017	Note	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share 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 Held for Sale/Disc. Operations.	Total Equity
<b>I. Balances at the Beginning of the Period-31 December 2016</b>		652.290	-	-	-	183.104	-	1.548.672	247.439	(356.598)	-	(2.317)	-	-	4.435	-	2.277.025
<b>II. Corrections According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Balance (I+II)</b>		652.290	-	-	-	183.104	-	1.548.672	247.439	(356.598)	-	(2.317)	-	-	4.435	-	2.277.025
<b>Changes in the Period</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Increase/Decrease due to the Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	(4.645)	-	-	-	-	(4.645)
<b>VI. Hedging Transactions Funds (Effective Parts)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	882	-	882
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	882	-	882
6.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Property and Equipment Revaluation Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Intangible Fixed Assets Revaluation Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Foreign Exchange Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Changes due to the Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Changes due to the Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Capital Increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Share Premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Paid in-Capital Adjustment Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVIII. Other</b>		-	-	-	-	-	-	-	(5.274)	-	-	-	-	-	-	-	(5.274)
<b>XIX. Current Year Income or Loss</b>		-	-	-	-	-	-	-	-	134.880	-	-	-	-	-	-	134.880
<b>XX. Profit Distribution</b>		-	-	-	-	1.037	-	(357.635)	-	356.598	-	-	-	-	-	-	-
20.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to Reserves		-	-	-	-	1.037	-	(357.635)	-	356.598	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the End of the Period 30 September 2017 (I+II+III+IV+V+.....+XVIII)</b>		652.290	-	-	-	184.141	-	1.191.037	242.165	134.880	-	(6.962)	-	-	5.317	-	2.402.868

Note: The prior period financial statements and related disclosures are not restated as permitted by IFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																
					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
Reviewed Current Period 30 September 2018	Paid-in Capital	Share Premium	Share Cancel.Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ (Loss)	Current Period Profit/ (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Equity
<b>I. Balances at the Beginning of the Period - 31 December 2017</b>	652.290	-	-	272.693	-	(30.511)	-	-	(17.899)	4.592	1.375.178	-	308.737	2.565.080	-	2.565.080
<b>II. Corrections According to TAS 8</b>	-	-	-	-	-	-	-	-	(4.723)	-	90.909	-	-	86.186	-	86.186
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	(4.723)	-	90.909	-	-	86.186	-	86.186
<b>III. Adjusted Beginning Balance (I+II)</b>	652.290	-	-	272.693	-	(30.511)	-	-	(22.622)	4.592	1.466.087	-	308.737	2.651.266	-	2.651.266
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	4.269	-	-	(68.009)	(1.651)	-	-	245.037	179.646	-	179.646
<b>V. Capital Increase by Cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase by Internal Sources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Paid-in capital inflation adjustment difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Shares</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	278.737	-	(308.737)	(30.000)	-	(30.000)
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	(30.000)	-	-	(30.000)	-	(30.000)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	308.737	-	(308.737)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+IV+.....+X+XI)</b>	652.290	-	-	272.693	-	(26.242)	-	-	(90.631)	2.941	1.744.824	-	245.037	2.800.912	-	2.800.912

1. Increase/Decrease of Accumulated Revaluation Reserve on Tangible,
2. Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans,
3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Not Be Reclassified at Profit and Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Not Be Reclassified at Profit or Loss,
4. Exchange Differences on Translation Reserve,
5. Accumulated Revaluation and/or Classification Gains/(Losses) of Financial Assets at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gains/Losses, Other Comprehensive Income of Associates and Joint Ventures Accounted with Equity Method That Will Be Reclassified at Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items That Will Be Reclassified at Profit or Loss).

The accompanying explanations and notes set out on pages 18 to 92 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

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

<b>VI. STATEMENT OF CASH FLOWS</b>	<b>Note (Section Five VI)</b>	<b>Reviewed Current Period (30.09.2018)</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>(611.806)</b>
1.1.1 Interest Received		1.924.919
1.1.2 Interest Paid		(900.689)
1.1.3 Dividend Received		20.730
1.1.4 Fees and Commissions Received		284.547
1.1.5 Other Income		177.366
1.1.6 Collections From Previously Written-Off Loans and Other Receivables		145.961
1.1.7 Cash Payments to Personnel and Service Suppliers		(344.503)
1.1.8 Taxes Paid		(77.516)
1.1.9 Other		(1.842.621)
<b>1.2 Changes in Operating Assets and Liabilities Subject to Banking Operations</b>		<b>5.528.825</b>
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(89.471)
1.2.2 Net Decrease in Due From Banks		-
1.2.3 Net (Increase) in Loans		(3.801.908)
1.2.4 Net (Increase) in Other Assets		(263.479)
1.2.5 Net Increase in Bank Deposits		(1.215.063)
1.2.6 Net Increase/(Decrease) in Other Deposits		8.901.021
1.2.7 Net Increase/(Decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-
1.2.8 Net (Decrease) in Funds Borrowed		(51.934)
1.2.9 Net Increase/(Decrease) in Matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities		2.049.659
<b>I. Net Cash Provided From Banking Operations</b>		<b>4.917.019</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net Cash Provided From Investing Activities</b>		<b>1.599.014</b>
2.1 Cash Paid for the Purchase of Associates, Subsidiaries and Joint Ventures		-
2.2 Cash Obtained from the Sale of Associates, Subsidiaries and Joint Ventures		-
2.3 Cash Paid for the Purchase of Tangible and Intangible Asset		(22.095)
2.4 Cash Obtained from the Sale of Tangible and Intangible Asset		3.352
2.5 Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		771.925
2.6 Cash Obtained from the Sale of Financial Assets at Fair Value Through Other Comprehensive Income		855.265
2.7 Cash Paid for Purchase of Financial Assets at Amortised Cost		-
2.8 Cash Obtained From Sale of Financial Assets at Amortised Cost		-
2.9 Other		(9.433)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided From Financing Activities</b>		<b>(30.000)</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-
3.2 Cash Outflow From Funds Borrowed and Securities Issued		-
3.3 Equity Instruments Issued		-
3.4 Dividends Paid		(30.000)
3.5 Payments for Finance Lease Liabilities		-
3.6 Other		-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>(56.915)</b>
<b>V. Net (Decrease)/Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>6.429.118</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>4.761.711</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>		<b>11.190.829</b>

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**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2018**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

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

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

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

The Bank has adopted TFRS 9: Financial Instruments (“TFRS 9”) with the exclusion of loan provision calculations, to replace TAS 39 Financial Instruments: Recognition and Measurement as of 1 January 2018, as issued by Public Oversight Accounting and Auditing Standards Authority published in the Official Gazette No. 29953 dated 19 January 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Bank did not early adopt TFRS 9 in previous periods.

According to the decision of BRSA numbered 7649 and dated 21 December 2017, HSBC Bank A.Ş., was granted time until 1 January 2019, to complete transition to TFRS 9 relating to provisions to be set aside, in accordance with Article 1 of the Communiqué on Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Set Aside. The transition to TFRS 9 will take place on 1 January 2019 and until then, provisions will be calculated as part of 10th, 11th, 13th and 15th articles of the regulation.

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**NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2018**

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

**I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)**

As permitted by the transitional provisions of TFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the transition date were recognised in the "Prior Periods' Profit/(Loss)" or in the opening balance of "Other Reserves" of the current period.

The adoption of TFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and liabilities. In accordance with the previous implementation, a portion of securities, which are represented in capital previously listed under “Available for Sale Financial Assets”, is now listed under “Financial Assets at Fair Value Through Profit or Loss”. In transition date, income of TL 4.723 after tax regarding book values of related securities are accounted under the opening balance of “Extraordinary Reserves”.

Deferred tax asset have recognized for general provisions as of 1 January 2018 in accordance with the “Communique on Uniform Chart of Accounts and Prospectus” dated 20 September 2017. With in this scope, deferred tax assets amounting to TL 86,186 have been reflected to the opening financials of 1 January 2018 and the related amount has been classified under “Extraordinary Reserves” in shareholders’ equity.

Financial Assets	Before TFRS 9		In scope of TFRS 9	
	Measurement Bases	Book Value	Measurement Bases	Book Value
		<b>31 December 2017</b>		<b>1 January 2018</b>
<b>Cash Balances and Central Bank</b>	Measured at Amortised Cost	3.903.455	Measured at Amortised Cost	3.903.455
<b>Banks and Money Markets</b>	Measured at Amortised Cost	2.138.898	Measured at Amortised Cost	2.138.898
<b>Marketable Securities</b>	Fair Value Through Profit or Loss	258.434	Fair Value Through Profit or Loss	271.533
	Fair Value Through Other Comprehensive Income	1.362.164	Fair Value Through Other Comprehensive Income	1.349.065
	Measured at Amortised Cost	-	Measured at Amortised Cost	-
<b>Derivative Financial Assets</b>	Fair Value Through Profit or Loss	688.199	Fair Value Through Profit or Loss	688.199
	Fair Value Through Other Comprehensive Income	-	Fair Value Through Other Comprehensive Income	-
<b>Loans</b>	Measured at Amortised Cost	15.606.817	Measured at Amortised Cost	15.606.817

As per the article named “Financial Reporting” of BRSA No. 24049440-045.01[3/8]-E.5380 dated 17 April 2018, prior periods’ informations are presented in old format and TFRS 9 have not been implemented.

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

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

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

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



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

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

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

Various stress scenarios, liquidity, gap, and volatility analysis have been performed regarding the control, monitor and management of the market risks. The purpose of these analyses is to be prepared for the possible risks and to make quick decisions regarding the targeted profitability.

Analyses that are conducted related to determined risks are being tracked by committees such as the Asset-Liability Committee and the Market Risk Committee and value adding decisions are made. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing. Gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses", except for foreign currency, non-performing loans and other foreign currency denominated non-monetary assets and liabilities.

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

The Bank has no investments in associates as of 30 September 2018. Investments in subsidiaries are accounted in accordance with the "Turkish Accounting Standard for Individual Financial Instruments" ("TAS 27") in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiary of the Bank is HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on 10 December 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide hospitality, catering and private waiting room.

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

In order to reduce the foreign exchange position risk the Bank conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Bank conducts interest futures and forward interest rate agreements. The fair value differences of derivative instruments that are reflected in the profit and loss accounts are measured at fair value and associated with income statement during recognition. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Derivative Financial Assets at Fair Value Through Profit or Loss"; and if the fair value difference is negative, it is disclosed under "Derivative Financial Liabilities at Fair Value Through Profit or Loss". Differences arising from the valuation of fair value are reflected in the "Derivative Financial Transactions Gains/Losses" account under income statement.

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

Until 30 June 2017, the Bank applied cash flow hedge accounting by cross currency swap transactions in order to hedge itself from the changes in the interest rates of the fixed-rate time deposits, which have maturity of 1-3 month. The Bank has performed strength tests for risk protection accounting in balance sheet date, while the effective portions are classified as “Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss” in shareholders’ equity, the ineffective portion is recognized at income statement.

In periods where cash flows (interest expense) regarding the risk protected entries, affect the income statements, the loss/gain of the related risk protection tool is reduced from shareholders’ equity and shown in income statement.

If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortized cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the “Derivative financial transactions gains/(losses)”. As of 30 September 2018, hedge accounting is not applied.

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

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

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

All fees and commission income are recognised on an accrual basis in accordance with the matching principle or “Effective Rate Method (Internal Rate of Return Method)”, except for certain commission income 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 Bank categorizes its financial assets as fair value through profit/loss, fair value through other comprehensive income or measured at amortized cost. Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

The Bank recognize a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or interest that were previously recorded in the financial statements.

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

**a. Financial Assets at Fair Value Through Profit or Loss:**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

**b. Financial Assets at Fair Value Through Other Comprehensive Income:**

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

“Unrealized gains and losses” arising from changes in the fair value of financial assets classified as financial assets at fair value through other comprehensive income are recognized in the shareholders’ equity as “Other accumulated comprehensive income that will be reclassified in profit or loss”, until the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement. Interest and dividends received from financial assets at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. 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.

During initial recognition an entity can choose in an irrevocable way to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

**c. Financial Assets Measured in Amortised Cost:**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortised cost. These financial assets are initially recognized at total of acquisition and transaction cost. After their initial recognition, they are carried at “Amortised Cost” using the “effective interest method”. As of 30 September 2018 and 31 December 2017, the Bank has no marketable securities measured at amortized cost.

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

**d. Loans:**

Loans are financial assets raised through lending, providing services or products. Assets in this subject are reflected in the balance sheet measured at amortised cost using effective interest rate method.

The Bank makes risk assessment for the loans on the consumer and portfolio basis and provides specific provisions for the non-performing loans not less than the determined minimum rates according to 10th, 11th, 13th and 15th articles of the "Regulation on Procedures and Principles for Determination of Qualifications of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 and numbered 29750. In addition to the non-performing loans, the Bank provides general loan loss provisions for the loans and receivables which are defined in the same communiqué. The interests and accruals of the non-performing loans are derecognized from the financial statement and provision expense is recognized in the income statement. Releases of current period provisions are made by the reversal of the amount from the "Provision for Impairment of Loans and Other Receivables" account.

Bank's loans are recorded under the "Measured at Amortized Cost" account.

**VIII. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD**

The Bank categorizes its financial assets as fair value through profit/loss, financial assets as available for sale and loans and other receivables. Financial assets in subject recognized and derecognized according to their transaction 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 recognised in the income statement.

**b. Available-for-Sale Financial Assets:**

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

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**VIII. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE  
CURRENT PERIOD (Continued)**

**c. Loans and Receivables:**

The Bank makes risk assessment for the loans and receivables on the consumer and portfolio basis and provides specific provisions for the non-performing loans not less than the determined minimum rates according to the (“Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”) published in the Official Gazette dated 1 November 2006 and numbered 26333. In addition to the non-performing loans, the Bank provides general loan loss provisions for the loans and receivables which are defined in the same communiqué. The interests and accruals of the non-performing loans are 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 recognized at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognized in the income statement.

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

In each balance sheet date, the Bank assesses if there is an objective evidence of the impairment of financial assets or financial asset groups. If such an indicator exists, the Bank will perform the calculations. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial assets or group of financial asset are adversely affected by an event “loss event” incurred subsequent to recognition. In case the loans could not be collected; loans and other receivables are classified in order to provide specific and general provisions in accordance with the Communiqué on “Regulation on the principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions shall be booked by Banks and to the Provisions to be Booked” published in the Official Gazette No. 26333 dated 1 November 2006 and these provisions are changed against the income for the year. The Bank recognizes special and general provisions based on 10th, 11th, 13th and 15th articles of the regulation dated 22 June 2016 and numbered 29750 “Regulation on the Procedures and Principles for the Classification of Loans by Banks and the Provisions to be Set Aside”, recognised under profit and loss accounts are reserved for the loans classified within this framework.

**X. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value difference through profit or loss”, “Financial assets at fair value difference through other comprehensive income” and “Measured at amortized cost” in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. Funds obtained under repurchase agreements are accounted under “Funds provided under repurchase agreements” in liability accounts and differences between the sale and repurchase prices determined by these repurchase agreements are accrued evenly over the life of the repurchase agreement using the “Effective interest (internal return) method”. Funds given against securities purchased under agreements to resell (“Reverse repo”) are accounted under “Receivables from money market” in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the “Effective interest rate method”. The bank has no securities lending transactions.

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

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements under assets held for sale and discontinued operations.

As of 30 September 2018 and 31 December 2017, the Bank has no discontinued operations.

**XIII. 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.

As of 30 September 2018, there is no net book value of goodwill (31 December 2017: None).

**XIV. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

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**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

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

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

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

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

**XVII. EXPLANATIONS ON CONTINGENT ASSETS**

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

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

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 5,31% (31 December 2017: 2,78%).

As of 30 September 2018, actuarial loss amounted to TL 26.242 (31 December 2017: TL 30.511 loss) is recognized under other income reserves in the financial statements.

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

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**XIX. 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%. However, according to Law No: 7061 “The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations” published in the Official Gazette dated 5 December 2017, corporate tax rate will be applied as 22% for the three year period between 2018 and 2020. Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless there is a profit distribution.

Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related “Double Tax Treaty Agreements” are taken into account. An increase in capital via issuing bonus share is not considered as profit distribution and thus does not incur withholding tax.

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

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

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

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

In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The Law regarding amendments on Certain Tax Laws was approved in the Grand National Assembly of Turkey on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate will be increased from 20% to 22% for the years 2018, 2019 and 2020. According to the Law that have been enacted, deferred tax assets and liabilities shall be measured at the tax rate 22% that are expected to apply to these periods when the assets is realized or the liability is settled. From 2021 onwards, deferred tax assets and liabilities were measured by 20% tax rate.

Deferred tax asset have recognized for general provisions as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 86.186 have been reflected to the opening financials of 1 January 2018 and the related amount has been classified under “Extraordinary Reserves” in shareholders' equity.



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

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements. After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. As of 30 September 2018, the Bank has recognized deferred tax receivables amounting to TL 172.918 as assets (31 December 2017: Deferred tax receivables amounting to TL 146.265 as assets).

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

**c. Transfer Pricing:**

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

**XX. EXPLANATIONS ON BORROWINGS**

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the unconsolidated financial statements enclosed, foreign currency borrowings are translated according to the Bank’s period end exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the financial statements. The Bank has no marketable securities issued and convertible bonds as of 30 September 2018 and 31 December 2017.

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

As of 30 September 2018 and 31 December 2017, the Bank has no issued share certificates.

**XXII. 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.

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**XXIII. EXPLANATIONS ON GOVERNMENT INCENTIVES**

As of 30 September 2018 and 31 December 2017, the Bank has no government incentives.

**XXIV. EXPLANATIONS ON OPERATING SEGMENTS**

Segment reporting is presented in Note XII of Section Four.

**XXV. PROFIT RESERVES AND PROFIT DISTRIBUTION**

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

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

**XXVI. EARNINGS/LOSS PER SHARE**

Earnings per share disclosed in the statement of profit or loss are calculated by dividing net earning/(loss) for the year to the number of shares.

	<b>Current Period 30 September 2018</b>
Net Earnings/(Loss) for the Period	245.037
Number of Shares	65.229.000.000
<b>Earnings/(Loss) per Share (*)</b>	<b>0,003757</b>

(\*) Amounts are expressed in full TL.

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

(\*) Amounts are expressed in full TL.

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**XXVII. CASH AND CASH EQUIVALENTS**

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

**XXVIII. RELATED PARTIES**

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

**XXIX. RECLASSIFICATIONS**

As permitted by the transitional provisions of TFRS 9, the Bank elected not to restate comparative figures. As per the article named “Financial Reporting” of BRSA No. 24049440-045.01[3/8]-E.5380 dated 17 April 2018, prior periods’ informations are presented in old format and TFRS 9 have not been implemented.

**XXX. OTHER MATTERS**

None.

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**SECTION FOUR**

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

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

Equity and Capital Adequacy Standard Ratio of the Bank is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", and "Communiqué on Equities of Banks". As of 30 September 2018, equity of the Bank is amounting to TL 4.592.346, and the Bank's capital adequacy ratio is 19,29%. As of 31 December 2017, equity of the Bank is amounting to TL 3.580.597 and the Banks's capital adequacy ratio is 17,56%. Capital adequacy ratio of the Bank is higher than the minimum rate required by the related regulation.

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

	Current Period 30 September 2018	Amount as per the regulation before 01.01.2014 (*)
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	2.017.517	
Other Comprehensive Income according to TAS	-	
Profit	245.037	
Current Period Profit	245.037	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>2.914.844</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	26.242	
Leasehold Improvements on Operational Leases	28.232	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	144.480	144.480
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	19.876	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier I Capital according to second paragraph of the provisional article 2 in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued common share capital of the entity	-	
Amounts related to mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>218.830</b>	
<b>Total Common Equity Tier I Capital</b>	<b>2.696.014</b>	

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**I. EXPLANATIONS RELATED TO COMPONENTS OF SHAREHOLDERS EQUITY  
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	Current Period 30 September 2018	Amount as per the regulation before 01.01.2014 (*)
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank’s Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued Share Capital (amount above 10% threshold)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>2.696.014</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.657.150	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	248.418	-
<b>Total Deductions from Tier II Capital</b>	<b>1.905.568</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	114	-
<b>Total Deductions from Tier II Capital</b>	<b>114</b>	-
<b>Total Tier II Capital</b>	<b>1.905.454</b>	-
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>4.601.468</b>	-
<b>Amounts Deducted from Equity</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be Defined by the BRSA	9.122	-
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-

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	Current Period 30 September 2018	Amount as per the regulation before 01.01.2014 (*)
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	4,592,346	
Total Risk Weighted Assets (**)	23,801,456	
<b>CAPITAL ADEQUACY RATIOS (***)</b>		
CET1 Capital Ratio (%)	11,33	
Tier I Capital Ratio (%)	11,33	
Capital Adequacy Ratio (%)	19,29	
<b>BUFFERS</b>		
Total Additional Core Capital Requirement Ratio (a+b+c)	1,90	
a) Capital Conservation Buffer Ratio (%)	1,88	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,02	
c) Systemic significant Bank Buffer Ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital conservation and countercyclical Capital buffers to Risk weighted Assets (%)	4,93	
<b>Amounts Lower Than Excesses as per the Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	501.763	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	248.418	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018-1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(\*) Amounts to be recognized under transition regulations.

(\*\*) In the calculation of credit risk, foreign exchange rate is the rate that was used in the preparation of financial statements as of 30 June 2018, according to BRSA letter No. 10578 dated 13 August 2018.

(\*\*\*) In the calculation of Capital Adequacy Ratios, the negative valuation differences on securities acquired before 12 August 2018, classified under “Securities at Fair Value through Other Comprehensive Income” are not taken into consideration in the calculation of own funds according to BRSA letter No: 10513 dated 12 August 2018.

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	Prior Period 31 December 2017	Amount as per the regulation before 01.01.2014 (*)
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	652.290	
Share Premium	-	
Reserves	1.647.872	
Other Comprehensive Income according to TAS	-	
Profit	308.737	
Current Period Profit	308.737	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>2.608.899</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (j) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	48.410	
Leasehold Improvements on Operational Leases	19.280	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	118.206	147.758
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	48.221	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank owns more than 10% of the issued share capital (amount above 10% threshold)	-	
Mortgage Servicing Rights exceeding the 10% Threshold of Tier I Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier I Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>234.117</b>	
<b>Total Common Equity Tier I Capital</b>	<b>2.374.782</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	29.552	
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 (-)	12.055	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
<b>Total Deductions from Additional Tier I Capital</b>	<b>41.607</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital ( Tier I Capital = Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>2.333.175</b>	

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	Prior Period 31 December 2017	Amount as per the regulation before 01.01.2014 (*)
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.039.940	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	210.169	
<b>Total Deductions from Tier II Capital</b>	<b>1.250.109</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank’s Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the issued share capital exceeding the 10% Threshold of Common Equity Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital	-	
Other items to be defined by the BRSA (-)	190	
<b>Total Deductions from Tier II Capital</b>	<b>190</b>	
<b>Total Tier II Capital</b>	<b>1.249.919</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>3.583.094</b>	
<b>Amounts Deducted from Equity</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be Defined by the BRSA	2.497	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	



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	Prior Period 31 December 2017	Amount as per the regulation before 01.01.2014 (*)
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	3,580,597	
Total Risk Weighted Assets	20,392,930	
<b>CAPITAL ADEQUACY RATIOS</b>		
Common Equity Tier I Capital Ratio (%)	11,65	
Tier I Capital Ratio (%)	11,44	
Capital Adequacy Ratio (%)	17,56	
<b>BUFFERS</b>		
Bank-specific total CET1 Capital Ratio (%)	5,75	
Capital Conservation Buffer Ratio (%)	1,25	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,00	
Systematic-important Bank Buffer Ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital conservation and countercyclical Capital buffers to Risk weighted Assets (%)	5,89	
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	-	
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	430,929	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	210,169	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

(\*) Amounts to be recognized under transition regulations

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

None.

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

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

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

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

**d. Explanations on reconciliation of capital items with balance sheet amounts:**

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the general provision and subordinated debts. In the calculation of Total Capital, general provision up to 1,25% credit risk is taken into consideration as Tier II Capital. Besides, losses that are subject to deductions from Common Equity Tier I and reflected to Equity in line with the TAS, are determined by excluding the losses related to cash flow hedge transactions. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

**II. EXPLANATIONS ON CREDIT RISK**

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

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

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

**IV. EXPLANATIONS ON CURRENCY RISK**

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

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

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

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

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

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

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

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

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

<b>Current Period – 30 September 2018</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	6,0260	6,9775
<b>Prior Balance Sheet Date</b>		
28 September 2018	6,0260	6,9775
27 September 2018	5,9957	7,0048
26 September 2018	6,1090	7,1680
25 September 2018	6,2065	7,3137
24 September 2018	6,1579	7,2654
<b>Prior Period – 31 December 2017</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	3,7816	4,5332
<b>Prior Balance Sheet Date</b>		
29 December 2017	3,7816	4,5332
28 December 2017	3,7758	4,5111
27 December 2017	3,8232	4,5527
26 December 2017	3,8182	4,5253
25 December 2017	3,8182	4,5253

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

As of September 2018, the Bank’s simple arithmetic average foreign exchange rate for USD is TL 6,3175 (December 2017: TL 3,8421) and exchange rate for Euro is TL 7,3633 (December 2017: TL 4,5487).

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

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

<b>Current Period – 30 September 2018</b>	<b>Euro</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1.353.019	1.936.252	472.205	3.761.476
Banks	977.421	1.227.562	15.752	2.220.735
Financial Assets at Fair Value through Profit or Loss (Net)	634.075	1.410.246	17.644	2.061.965
Interbank Money Market Placements	-	5.875.778	-	5.875.778
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (*)	4.112.758	3.363.145	2.823	7.478.726
Investments in Associates, Subsidiaries and Joint Ventures (Business Partners)	-	-	-	-
Financial Assets Measured at Amortised Cost	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	296.562	113.353	84	409.999
<b>Total Assets</b>	<b>7.373.835</b>	<b>13.926.336</b>	<b>508.508</b>	<b>21.808.679</b>
<b>Liabilities</b>				
Bank Deposits	-	16	-	16
Foreign Currency Deposits	5.168.872	9.849.872	1.298.581	16.317.325
Funds from Interbank Money Market	-	-	-	-
Fund Borrowed	87.154	2.951.360	-	3.038.514
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	2.252	423.042	16.292	441.586
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	618.532	1.519.513	48.091	2.186.136
<b>Total Liabilities</b>	<b>5.876.810</b>	<b>14.743.803</b>	<b>1.362.964</b>	<b>21.983.577</b>
<b>Net on Balance Sheet Position</b>	<b>1.497.025</b>	<b>(817.467)</b>	<b>(854.456)</b>	<b>(174.898)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(1.525.797)</b>	<b>1.199.845</b>	<b>848.297</b>	<b>522.345</b>
Financial Derivative Assets	7.702.339	18.250.175	1.714.802	27.667.316
Financial Derivative Liabilities	9.228.136	17.050.330	866.505	27.144.971
Non-cash Loans	1.484.773	1.345.249	215.148	3.045.170
<b>Prior Period - 31 December 2017</b>				
Total Assets	3.984.253	5.950.424	316.849	10.251.526
Total Liabilities	3.405.365	10.793.302	822.061	15.020.728
<b>Net on-Balance Sheet Position</b>	<b>578.888</b>	<b>(4.842.878)</b>	<b>(505.212)</b>	<b>(4.769.202)</b>
<b>Net off-Balance Sheet Position</b>	<b>(768.674)</b>	<b>5.140.225</b>	<b>518.541</b>	<b>4.890.092</b>
Financial Derivative Assets	12.651.214	22.025.708	1.260.969	35.937.891
Financial Derivative Liabilities	13.419.888	16.885.483	742.428	31.047.799
Non-cash Loans	812.212	938.975	123.682	1.874.869

(\*) As of 30 September 2018, total loans amount consists foreign indexed loans amounting to TL 454.950 (31 December 2017: TL 1.131.477).

(\*\*) As of 30 September 2018, the Bank has no other assets that do not consist of prepaid expenses (31 December 2017: TL 432).

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**V. EXPLANATIONS ON INTEREST RATE RISK**

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

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

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

<b>Current Period – 30 September 2018</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	1.746.199	-	-	-	-	2.374.602	4.120.801
Banks	2.220.958	-	-	-	-	16.225	2.237.183
Financial Assets at Fair Value Through Profit or Loss (Net) (**)	519.435	258.028	990.282	480.403	147.174	25.956	2.421.278
Interbank Money Market Placements	6.092.131	-	-	-	-	-	6.092.131
Financial Assets at Fair Value Through Other Comprehensive Income	-	96	31.974	424.703	46.997	-	503.770
Loans	7.472.337	1.743.607	3.752.707	5.226.030	991.335	193.609	19.379.625
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-
Other Assets	1.576	-	15	188.791	-	779.015	969.397
<b>Total Assets</b>	<b>18.052.636</b>	<b>2.001.731</b>	<b>4.774.978</b>	<b>6.319.927</b>	<b>1.185.506</b>	<b>3.389.407</b>	<b>35.724.185</b>
<b>Liabilities</b>							
Bank Deposits	226.782	-	-	-	-	67.682	294.464
Other Deposits	17.339.600	1.950.212	490.560	7.667	-	4.025.258	23.813.297
Funds from Interbank Money Market	1.541.343	-	-	-	-	-	1.541.343
Miscellaneous Payables	259.933	-	-	-	-	327.190	587.123
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	-	1.208.946	2.320.360	-	-	97.449	3.626.755
Other Liabilities (*) (**)	499.533	74.601	1.016.606	908.055	-	3.362.408	5.861.203
<b>Total Liabilities</b>	<b>19.867.191</b>	<b>3.233.759</b>	<b>3.827.526</b>	<b>915.722</b>	<b>-</b>	<b>7.879.987</b>	<b>35.724.185</b>
Balance Sheet Long Position	-	-	947.452	5.404.205	1.185.506	-	7.537.163
Balance Sheet Short Position	(1.814.555)	(1.232.028)	-	-	-	(4.490.580)	(7.537.163)
Off-Balance Sheet Long Position	21.415	134.462	101.889	-	-	-	257.766
Off-Balance Sheet Short Position	-	-	-	(20.321)	-	-	(20.321)
<b>Total Position</b>	<b>(1.793.140)</b>	<b>(1.097.566)</b>	<b>1.049.341</b>	<b>5.383.884</b>	<b>1.185.506</b>	<b>(4.490.580)</b>	<b>237.445</b>

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

(\*\*) Financial Derivative Assets are shown in "Financial Assets at Fair Value Through Profit or Loss", and Financial Derivative Liabilities are shown in "Other Liabilities".

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

<b>Prior Period - 31 December 2017</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	2.720.612	-	-	-	-	1.182.843	3.903.455
Banks	333.628	-	-	-	-	10.305	343.933
Financial Assets at Fair Value Through Profit or Loss (Net)	154.548	257.648	250.355	263.907	14.755	5.420	946.633
Interbank Money Market Placements	1.794.965	-	-	-	-	-	1.794.965
Financial Assets Available-for-Sale (Net)	-	605.364	262.257	414.529	66.915	13.099	1.362.164
Loans (*)	6.949.929	1.530.381	2.442.178	3.635.034	773.511	275.784	15.606.817
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	9.195	-	15	163.666	-	497.080	669.956
<b>Total Assets</b>	<b>11.962.877</b>	<b>2.393.393</b>	<b>2.954.805</b>	<b>4.477.136</b>	<b>855.181</b>	<b>1.984.531</b>	<b>24.627.923</b>
<b>Liabilities</b>							
Bank Deposits	1.451.801	-	-	-	-	57.602	1.509.403
Other Deposits	10.791.276	1.277.473	158.725	47	-	2.632.791	14.860.312
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	254.313	4.875	3.873	370	-	-	263.431
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	2.047.848	758.296	211.122	607.498	-	80.013	3.704.777
Other Liabilities (**)	157.482	185.466	222.611	664.916	-	3.059.525	4.290.000
<b>Total Liabilities</b>	<b>14.702.720</b>	<b>2.226.110</b>	<b>596.331</b>	<b>1.272.831</b>	<b>-</b>	<b>5.829.931</b>	<b>24.627.923</b>
Balance Sheet Long Position	-	167.283	2.358.474	3.204.305	855.181	-	6.585.243
Balance Sheet Short Position	(2.739.843)	-	-	-	-	(3.845.400)	(6.585.243)
Off Balance Sheet Long Position	18	-	34.049	-	-	-	34.067
Off Balance Sheet Short Position	-	(144.214)	-	(3.673)	-	-	(147.887)
<b>Total Position</b>	<b>(2.739.825)</b>	<b>23.069</b>	<b>2.392.523</b>	<b>3.200.632</b>	<b>855.181</b>	<b>(3.845.400)</b>	<b>(113.820)</b>

(\*) Loans consist of factoring transactions amounting to TL 394.213.

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

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

<b>Current Period – 30 September 2018</b>	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1,50	-	13,00
Banks	(0,74)	2,18	-	35,00
Financial Assets at Fair Value Through Profit or Loss (Net)	6,18	5,37	-	13,00
Interbank Money Market Placements	-	2,23	-	25,29
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	10,80
Loans	4,18	5,23	-	19,29
Financial Assets Measured at Amortised Cost	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	23,25
Other Deposits	2,47	3,87	1,00	22,57
Funds From Interbank Money Market	-	-	-	24,00
Funds Borrowed	-	5,71	-	13,15

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

<b>Prior Period - 31 December 2017</b>	<b>Euro</b>	<b>USD</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>				
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	12,75
Banks	-	0,95	-	19,12
Financial Assets at Fair Value Through Profit or Loss (Net)	4,47	6,65	-	5,96
Interbank Money Market Placements	-	1,55	-	12,74
Financial Assets Available-for-Sale (Net)	-	-	-	8,44
Loans	3,78	4,61	-	12,39
Investments Held-to-Maturity	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	1,50	-	8,10
Other Deposits	1,41	2,49	2,27	11,31
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed	-	4,58	-	14,01

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

**Position risk of equity securities in banking book:**

As of 30 September 2018, the Bank has no financial assets that would cause a significant effect on its equity securities position (31 December 2017: None).

**VII. EXPLANATIONS ON LIQUIDITY RISK**

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

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

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

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

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

In addition, current and planned liquidity positions of bank is tracked at tactical ALCO meetings with the participation of business representatives at least on weekly basis and business line representatives are informed if necessary actions are to be taken. The aim of these meetings is to ensure prevention of negative net cash flow of the bank liquidity and prevention exceeding limits by comparing the current situation regarding to the balance sheet structure of business line with the approved limit usage of strategic funding plans and liquidity.

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

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

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

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

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

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

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

**Information on liquidity risk mitigation techniques:**

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

**Explanation of the usage of stress test:**

Along with the legal liquidity risk calculations and restrictions, in terms of liquidity management, stress tests and scenario analyses are performed in accordance with the international liquidity management policies of HSBC. In these scenarios, liquidity crisis scenarios of Bank and macro liquidity crisis scenarios are evaluated and triggering factors of liquidity risk and prewarning signals are tracked. Analyses and results of the liquidity risk are tracked in tactical ALCO meetings weekly and in ALCO-Market Risk Committees monthly.



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

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

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

**a. Liquidity coverage rate:**

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

Liquidity coverage rate is calculated by dividing high quality liquid assets that Bank owns to net cash outflows with maturity of 1 month. Reserve requirements kept by Central Bank of the Republic of Turkey (CBRT), reverse repurchase agreements, securities that are not subject to repurchase/collateral held for providing liquidity, corporate and bank deposits that may cause high cash outflows, non-deposit borrowings that are became due and receivables from banks form the most important components which affect the results of liquidity coverage rate due to the liquidity of the assets, having high volume in net cash outflows and having high rate of consideration. The ratio may fluctuate periodically due to reasons listed below;

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

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

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

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

The 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 67% of total liabilities.

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

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

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**VII. EXPLANATIONS ON 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 projected. In the context, customer-based deposit concentrations, limits and usages set up for the counterparties in non-deposit borrowings and maturity-based distribution of borrowings are tracked and reported to ALCO every month periodically.

<b>Current Period – 30.09.2018</b>	<b>Total value to which the consideration ratio is not applied (*)</b>		<b>Total value to which the consideration ratio is applied (*)</b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			7.923.895	5.374.831
<b>Cash Outflows</b>				
Real person and retail deposits	15.531.334	11.006.278	1.475.596	1.100.628
Stable deposits	1.550.740	-	77.537	-
Less stable deposits	13.980.594	11.006.278	1.398.059	1.100.628
Unsecured debts other than real person and retail deposits	6.086.383	4.387.286	2.934.395	1.869.040
Operational deposits	-	-	-	-
Non-operational deposits	5.643.978	4.333.857	2.491.990	1.815.611
Other unsecured debts	442.405	53.429	442.405	53.429
Secured debts	-	-	-	-
Other cash outflows	1.711.020	3.636.752	1.711.020	3.636.752
Derivative liabilities and collateral completion liabilities	1.711.020	3.636.752	1.711.020	3.636.752
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	8.604.813	2.688.077	904.278	470.999
Other irrevocable or revocable (based on conditions) off-the-balance sheet debts	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>7.025.289</b>	<b>7.077.419</b>
<b>Cash inflows</b>				
Secured liabilities	-	-	-	-
Unsecured liabilities	6.356.726	1.743.966	4.088.302	1.418.061
Other cash inflows	225.883	3.604.375	225.883	3.604.375
<b>TOTAL CASH INFLOWS</b>	<b>6.582.609</b>	<b>5.348.341</b>	<b>4.314.185</b>	<b>5.022.436</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY</b>			<b>7.923.895</b>	<b>5.374.831</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>2.711.103</b>	<b>2.054.983</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>292,28</b>	<b>261,55</b>

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

Table below represents lowest, highest and average liquidity coverage rates for the last three months.

	<b>Current Period - 30.09.2018</b>	
	<b>TL+FC</b>	<b>FC</b>
<b>Highest (%)</b>	497,23	316,18
<b>Date</b>	18.07.2018	10.08.2018
<b>Lowest (%)</b>	193,47	157,05
<b>Date</b>	15.08.2018	13.09.2018
<b>Average (%)</b>	292,28	261,55

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

<b>Prior Period – 31.12.2017</b>	<b>Total value to which the consideration ratio is not applied (*)</b>		<b>Total value to which the consideration ratio is applied (*)</b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>				
High Quality Liquid Assets			3.238.898	2.117.456
<b>Cash Outflows</b>				
Real person and retail deposits	10.735.706	7.269.620	921.109	665.457
Stable deposits	3.075.677	1.230.109	153.784	61.505
Less stable deposits	7.660.029	6.039.511	767.325	603.952
Unsecured debts other than real person and retail deposits	4.145.658	5.164.060	2.090.229	2.283.588
Operational deposits	151.855	-	7.593	-
Non-operational deposits	494.431	300.875	355.952	194.725
Other unsecured debts	3.499.372	4.863.185	1.726.684	2.088.863
Secured debts	-	-	-	-
Other cash outflows	588.605	2.246.389	588.605	2.814.776
Derivative liabilities and collateral completion liabilities	588.605	2.246.389	588.605	2.814.776
Debts related to the structured financial products	-	-	-	-
Payment commitments for debts to financial markets and other off-the-balance sheet liabilities	-	-	-	-
Other off-the-balance sheet and revocable (without contingency) liabilities and other contractual liabilities	6.265.265	356.319	664.462	117.094
Other irrevocable or revocable (based on conditions) off-the balance sheet debts	-	-	-	-
<b>TOTAL CASH OUTFLOWS</b>			<b>4.264.405</b>	<b>5.880.914</b>
<b>Cash inflows</b>				
Secured liabilities	-	-	-	-
Unsecured liabilities	5.881.016	929.818	4.256.637	831.589
Other cash inflows	192.152	7.848.991	192.151	7.848.990
<b>TOTAL CASH INFLOWS</b>	<b>6.073.168</b>	<b>8.778.809</b>	<b>4.448.788</b>	<b>8.680.579</b>
			<b>Values to which the upper limit is applied</b>	
<b>TOTAL HIGH QUALITY LIQUID ASSETS INVENTORY</b>			<b>3.238.898</b>	<b>2.117.456</b>
<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.066.101</b>	<b>1.470.229</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>303,81</b>	<b>144,02</b>

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

Table below represents lowest, highest and average liquidity coverage rates for year 2017.

	<b>Prior Period - 31.12.2017</b>	
	<b>TL+FC</b>	<b>FC</b>
<b>Highest (%)</b>	360,54	212,61
<b>Date</b>	25.12.2017	13.11.2017
<b>Lowest (%)</b>	259,69	95,19
<b>Date</b>	02.10.2017	02.10.2017
<b>Average (%)</b>	303,81	144,02

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

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

<b>Current Period - 30 September 2018</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated</b>	<b>Total</b>
<b>Assets</b>								
Cash Equivalents (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the CBRT	2.360.912	1.759.889	-	-	-	-	-	4.120.801
Banks	16.225	2.220.958	-	-	-	-	-	2.237.183
Financial Assets at Fair Value through Profit or Loss (Net) (***)	-	496.342	212.450	931.680	579.787	175.063	25.956	2.421.278
Interbank Money Market Placements	-	6.092.131	-	-	-	-	-	6.092.131
Financial Assets at Fair Value through Other Comprehensive Income	-	-	96	31.974	424.703	46.997	-	503.770
Loans	-	6.695.317	1.966.770	3.978.429	5.571.911	973.589	193.609	19.379.625
Financial Assets at Fair Value Through Amortised Cost	-	-	-	-	-	-	-	-
Other Assets (*)	-	1.576	-	15	188.791	-	779.015	969.397
<b>Total Assets</b>	<b>2.377.137</b>	<b>17.266.213</b>	<b>2.179.316</b>	<b>4.942.098</b>	<b>6.765.192</b>	<b>1.195.649</b>	<b>998.580</b>	<b>35.724.185</b>
<b>Liabilities</b>								
Bank Deposits	67.682	226.782	-	-	-	-	-	294.464
Other Deposits	4.025.258	17.339.600	1.950.212	490.560	7.667	-	-	23.813.297
Funds from Interbank Money Market	-	1.541.343	-	-	-	-	-	1.541.343
Miscellaneous Payables	-	259.933	-	-	-	-	327.190	587.123
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Funds Borrowed	97.449	-	-	1.797.187	-	1.732.119	-	3.626.755
Other Liabilities (**) (***)	-	463.923	36.136	966.535	999.824	32.377	3.362.408	5.861.203
<b>Total Liabilities</b>	<b>4.190.389</b>	<b>19.831.581</b>	<b>1.986.348</b>	<b>3.254.282</b>	<b>1.007.491</b>	<b>1.764.496</b>	<b>3.689.598</b>	<b>35.724.185</b>
<b>Net Liquidity Excess / (Gap)</b>	<b>(1.813.252)</b>	<b>(2.565.368)</b>	<b>192.968</b>	<b>1.687.816</b>	<b>5.757.701</b>	<b>(568.847)</b>	<b>(2.691.018)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>								
Derivative Financial Assets	-	21.413	134.462	101.889	(20.319)	-	-	237.445
Derivative Financial Liabilities	-	19.414.714	6.853.288	10.625.285	14.597.959	3.106.574	-	54.597.820
Non-cash Loans	-	19.393.301	6.718.826	10.523.396	14.618.278	3.106.574	-	54.360.375
Non-cash Loans	1.960.248	46.087	191.995	1.200.354	657.886	5.471	-	4.062.041
<b>Prior Period - 31 December 2017</b>								
Total Assets	1.198.568	10.146.504	3.780.817	3.092.429	4.736.830	895.688	777.087	24.627.923
Total Liabilities	2.770.406	12.622.684	1.706.123	796.013	2.556.242	1.116.930	3.059.525	24.627.923
<b>Net Liquidity Excess / (Gap)</b>	<b>(1.571.838)</b>	<b>(2.476.180)</b>	<b>2.074.694</b>	<b>2.296.416</b>	<b>2.180.588</b>	<b>(221.242)</b>	<b>(2.282.438)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>								
Derivative Financial Assets	-	8.410	(143.013)	10.717	(4.657)	-	-	(128.543)
Derivative Financial Liabilities	-	19.664.075	6.535.673	5.460.951	4.252.471	-	-	35.913.170
Non-cash Loans	-	19.655.665	6.678.686	5.450.234	4.257.128	-	-	36.041.713
Non-cash Loans	993.987	144.032	308.679	834.106	510.889	5.614	-	2.797.307

(\*) 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.

(\*\*\*) Financial Derivative Assets are shown in "Financial Assets at Fair Value Through Profit or Loss", and Financial Derivative Liabilities are shown in "Other Liabilities".

**c. Information on securitization positions:**

None.

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**VIII. EXPLANATIONS ON LEVERAGE RATIO**

Below is the table on leverage ratio according to the Guideline of the Measuring and Evaluating Banks’ Leverage Rate, published in the Official Gazette no.28812 and dated 5 November 2013.

	<b>Current Period 30.09.2018 (*)</b>
<b>Assets On the Balance Sheet</b>	
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	28.841.557
2 (Assets deducted from core capital)	(172.338)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	28.669.219
<b>Derivative Financial Instruments and Loan Derivatives</b>	
4 Renewal cost of derivative financial instruments and loan derivatives	1.862.040
5 Potential credit risk amount of derivative financial instruments and loan derivatives	583.492
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	2.445.532
<b>Financing Transactions with Securities or Goods Warranties</b>	
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	199.867
8 Risk amount arising from intermediated transactions	-
9 Total risk amount of financing transactions with securities or goods warranties (sum of lines 7 and 8)	199.867
<b>Off-the-Balance Sheet Transactions</b>	
10 Gross nominal amount of the off-the-balance sheet transactions	24.435.934
11 Adjustment amount arising from multiplying by the credit conversion rate	-
12 Total risk amount for off-the-balance sheet transactions (sum of lines 10 and 11)	24.435.934
<b>Capital and Total Risk</b>	
13 Core capital	2.525.808
14 Total risk amount (sum of lines 3,6,9 and 12)	55.750.552
<b>Transition Process Unapplied Leverage Ratio (%)</b>	
15 Transition process unapplied leverage ratio (%)	4,53

(\*) Table represents three month average amounts.

	<b>Prior Period 31.12.2017 (*)</b>
<b>Assets On the Balance Sheet</b>	
1 Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	25.491.205
2 (Assets deducted from core capital)	(160.606)
3 Total risk amount for assets on the balance sheet (sum of lines 1 and 2)	25.330.599
<b>Derivative Financial Instruments and Loan Derivatives</b>	
4 Renewal cost of derivative financial instruments and loan derivatives	930.529
5 Potential credit risk amount of derivative financial instruments and loan derivatives	485.326
6 Total risk amount of derivative financial instruments and loan derivatives (sum of lines 4 and 5)	1.415.855
<b>Financing Transactions with Securities or Goods Warranties</b>	
7 Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	66.530
8 Risk amount arising from intermediated transactions	-
9 Total risk amount of financing transactions with securities or goods warranties (sum of lines 7 and 8)	66.530
<b>Off-the-Balance Sheet Transactions</b>	
10 Gross nominal amount of the off-the-balance sheet transactions	17.768.672
11 Adjustment amount arising from multiplying by the credit conversion rate	-
12 Total risk amount for off-the-balance sheet transactions (sum of lines 10 and 11)	17.768.672
<b>Capital and Total Risk</b>	
13 Core capital	2.278.736
14 Total risk amount (sum of lines 3,6,9 and 12)	44.581.656
<b>Leverage Ratio</b>	
15 Leverage ratio (%)	5,11

(\*) Table represents three month average amounts.

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**IX. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following required tables have not been presented on 30 September 2018:

- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of market risk exposures under an IMA

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

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

	Risk Weighted Amounts		Minimum
	Current Period 30 September 2018	Prior Period 31 December 2017	Capital Requirements Current Period 30 September 2018
Credit risk (excluding counterparty credit risk)	18.723.844	15.828.491	1.497.907
Standardised approach	18.723.844	15.828.491	1.497.907
Internal rating-based approach	-	-	-
Counterparty credit risk	1.149.598	984.992	91.968
Standardised approach for counterparty credit risk	1.149.598	984.992	91.968
Internal model method	-	-	-
Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – 1250% risk weighting approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
IRB ratings-based approach	-	-	-
IRB supervisory formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	1.165.574	579.350	93.246
Standardised approach	1.165.574	579.350	93.246
Internal model approaches	-	-	-
Operational risk	2.762.440	3.000.097	220.995
Basic indicator approach	2.762.440	3.000.097	220.995
Standardised approach	-	-	-
Advanced measurement approach	-	-	-
Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>TOTAL</b>	<b>23.801.456</b>	<b>20.392.930</b>	<b>1.904.116</b>

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

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

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

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

**XII. EXPLANATIONS ON OPERATING SEGMENTS**

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

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

	<b>Retail Banking</b>	<b>Corporate and Investment Banking</b>	<b>Treasury and Capital Markets</b>	<b>Other</b>	<b>Bank’s Total Activities</b>
<b>Current Period – 30 September 2018</b>					
Operating Income (***)	371.123	398.412	210.626	-	980.161
Other	-	-	-	-	-
<b>Operating Income</b>	<b>371.123</b>	<b>398.412</b>	<b>210.626</b>	<b>-</b>	<b>980.161</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	20.135	135.230	168.198	(1.010)	322.553
<b>Profit before Tax</b>	<b>20.135</b>	<b>135.230</b>	<b>168.198</b>	<b>(1.010)</b>	<b>322.553</b>
Corporate Tax Provision (*)	-	-	-	(77.516)	(77.516)
<b>Profit after Tax</b>	<b>20.135</b>	<b>135.230</b>	<b>168.198</b>	<b>(78.526)</b>	<b>245.037</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>20.135</b>	<b>135.230</b>	<b>168.198</b>	<b>(78.526)</b>	<b>245.037</b>
Segment Assets	4.199.930	10.716.305	20.772.977	-	35.689.212
Associates and Subsidiaries	-	-	34.753	220	34.973
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>4.199.930</b>	<b>10.716.305</b>	<b>20.807.730</b>	<b>220</b>	<b>35.724.185</b>
Segment Liabilities	16.387.409	10.091.639	4.529.178	4.715.959	35.724.185
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>16.387.409</b>	<b>10.091.639</b>	<b>4.529.178</b>	<b>4.715.959</b>	<b>35.724.185</b>
<b>Other Segment Items</b>	<b>385.824</b>	<b>(6.647)</b>	<b>(6.645)</b>	<b>-</b>	<b>372.532</b>
Capital Investment	-	-	-	-	-
Amortization	(20.672)	(6.647)	(5.440)	-	(32.759)
Impairment	-	-	(1.205)	-	(1.205)
Non-Cash Other Income-Expense (**)	406.496	-	-	-	406.496

(\*) Corporate tax provision is not distributed.

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

(\*\*\*) Personnel Expenses are shown under operating income in compliance with the financial statement format.

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

	<b>Retail Banking</b>	<b>Corporate and Investment Banking</b>	<b>Treasury and Capital Markets</b>	<b>Other</b>	<b>Bank's Total Activities</b>
<b>Prior Period - 31 December 2017 (***)</b>					
Operating Income	547.820	369.773	218.757	-	1.136.350
Other	-	-	-	-	-
<b>Operating Income</b>	<b>547.820</b>	<b>369.773</b>	<b>218.757</b>	<b>-</b>	<b>1.136.350</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit/(Loss)	(145.864)	160.325	159.135	(36.436)	137.160
<b>Profit before Tax</b>	<b>(145.864)</b>	<b>160.325</b>	<b>159.135</b>	<b>(36.436)</b>	<b>137.160</b>
Corporate Tax Provision (*)	-	-	-	(2.280)	(2.280)
<b>Profit after Tax</b>	<b>(145.864)</b>	<b>160.325</b>	<b>159.135</b>	<b>(38.716)</b>	<b>134.880</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(145.864)</b>	<b>160.325</b>	<b>159.135</b>	<b>(38.716)</b>	<b>134.880</b>
Segment Assets	4.333.305	13.693.924	6.565.721	-	24.592.950
Associates and Subsidiaries	-	-	34.753	220	34.973
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>4.333.305</b>	<b>13.693.924</b>	<b>6.600.474</b>	<b>220</b>	<b>24.627.923</b>
Segment Liabilities	10.962.908	7.024.955	1.816.707	4.823.353	24.627.923
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>10.962.908</b>	<b>7.024.955</b>	<b>1.816.707</b>	<b>4.823.353</b>	<b>24.627.923</b>
<b>Other Segment Items</b>	<b>(226.021)</b>	<b>(5.316)</b>	<b>(2.847)</b>	<b>-</b>	<b>(234.184)</b>
Capital Investment	-	-	-	-	-
Amortization	(21.147)	(5.316)	(2.841)	-	(29.304)
Impairment	-	-	(6)	-	(6)
Non-Cash Other Income-Expense (**)	(204.874)	-	-	-	(204.874)

(\*) Corporate tax provision is not distributed.

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

(\*\*\*) Items of income and expense are the amounts for the period ended 30 September 2017.



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**SECTION FIVE**

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

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

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

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
Cash/Foreign Currency	81.347	700.526
The CBRT	277.978	3.042.401
Other (*)	-	18.549
<b>Total</b>	<b>359.325</b>	<b>3.761.476</b>

(\*) As of 30 September 2018, account of Precious Metal is amounting to TL 18.549 As of 30 September 2018 the bank has no Money in Transit.

	<b>Prior Period 31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
Cash/Foreign Currency	71.256	172.506
The CBRT	1.899.730	1.747.251
Other (*)	-	12.712
<b>Total</b>	<b>1.970.986</b>	<b>1.932.469</b>

(\*) As of 31 December 2017, account of Precious Metal is amounting to TL 12.712. As of 31 December 2017, there is no Money in Transit.

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
Unrestricted Demand Deposit	257.596	1.302.895
Unrestricted Time Deposit (*)	6.692	493.908
Restricted Time Account	-	-
Reserve Requirements	13.690	1.245.598
<b>Total</b>	<b>277.978</b>	<b>3.042.401</b>

(\*) “Transactions Related to Foreign Currency Deposits in Turkish Lira Deposits” published by Central Bank of the Republic of Turkey as of 17 January 2017 are recorded in the balance sheet under cash assets and deposit accounts.

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

	<b>Prior Period</b>	
	<b>31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
Unrestricted Demand Deposit	463.564	462.805
Unrestricted Time Deposit (*)	1.436.166	3.801
Restricted Time Account	-	-
Reserve Requirements	-	1.280.645
<b>Total</b>	<b>1.899.730</b>	<b>1.747.251</b>

(\*) “Transactions Related to Foreign Currency Deposits in Turkish Lira Deposits” published by Central Bank of the Republic of Turkey as of 17 January 2017 are recorded in the balance sheet under cash assets and deposit accounts.

**3. Explanation on reserve deposits:**

The banks operating in Turkey are subject to the Central Bank of the Republic of Turkey’s Communiqué numbered 2013/15 and are required to keep a deposit at the CBRT for their Turkish Lira, U.S. Dollar and/or Euro and standard gold.

As of 30 September 2018, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 1,50% - 8% (31 December 2017: 4% - 10,50%), for TL deposits and other liabilities and between 4% - 20% for FC deposits (31 December 2017: 4% - 24%).

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

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

	<b>Current Period</b>
	<b>30 September 2018</b>
Collateral/Blocked	-
Repurchase Agreement	-
Unrestricted	348.802
<b>Total</b>	<b>348.802</b>

  

	<b>Prior Period</b>
	<b>31 December 2017</b>
Collateral/Blocked	-
Repurchase Agreement	-
Unrestricted	258.434
<b>Total</b>	<b>258.434</b>

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

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
Forward Transactions	12.685	419.856
Swap Transactions	4.966	962.111
Futures Transactions	-	-
Options	-	646.902
Other	-	-
<b>Total</b>	<b>17.651</b>	<b>2.028.869</b>

	<b>Prior Period 31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
Forward Transactions	82.389	44.821
Swap Transactions	99.204	238.280
Futures Transactions	-	-
Options	-	223.505
Other	-	-
<b>Total</b>	<b>181.593</b>	<b>506.606</b>

**c. Information on banks:**

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
<b>Banks</b>		
Domestic	-	-
Foreign	16.448	2.220.735
Foreign Head Office and Branches	-	-
<b>Total</b>	<b>16.448</b>	<b>2.220.735</b>

	<b>Prior Period 31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
<b>Banks</b>		
Domestic	-	-
Foreign	821	343.112
Foreign Head Office and Branches	-	-
<b>Total</b>	<b>821</b>	<b>343.112</b>

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

**2. Information on foreign bank accounts:**

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

**d. Information on financial assets fair value through other comprehensive income given as collateral/blocked and subject to repurchase agreements**

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

	<b>Current Period 30 September 2018</b>
Collateral/Blocked	457.368
Repurchase Agreement	-
Unrestricted	46.402
<b>Total</b>	<b>503.770</b>

	<b>Prior Period 31 December 2017</b>
Collateral/Blocked	311.891
Repurchase Agreement	-
Unrestricted	1.041.399
<b>Total</b>	<b>1.353.290</b>

**2. (i) Information on financial assets at fair value through other comprehensive income:**

	<b>Current Period 30 September 2018</b>
<b>Debt Securities</b>	<b>594.512</b>
Quoted to Stock Exchange	594.512
Not Quoted	-
<b>Share Certificate</b>	-
Quoted to Stock Exchange	-
Not Quoted	-
<b>Impairment Provision (-)</b>	<b>90.742</b>
<b>Total</b>	<b>503.770</b>

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

**(ii) Information on available-for-sale financial assets**

	<b>Prior Period 31 December 2017</b>
<b>Debt Securities</b>	<b>1.350.779</b>
Quoted to Stock Exchange	1.350.779
Not Quoted	-
<b>Share Certificate</b>	<b>13.099</b>
Quoted to Stock Exchange	-
Not Quoted	13.099
<b>Impairment Provision (-)</b>	<b>1.714</b>
<b>Total</b>	<b>1.362.164</b>

**e. Information related to loans:**

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

	<b>Current Period 30 September 2018</b>	
	<b>Cash</b>	<b>Non-cash</b>
<b>Direct Loans Granted to Shareholders</b>	-	<b>171.195</b>
Corporate Shareholders	-	171.195
Real Person Shareholders	-	-
<b>Indirect Loans Granted to Shareholders</b>	<b>16.290</b>	<b>587.944</b>
<b>Loans Granted to Employees</b>	<b>12.152</b>	-
<b>Total</b>	<b>28.442</b>	<b>759.139</b>

	<b>Prior Period 31 December 2017</b>	
	<b>Cash</b>	<b>Non-cash</b>
<b>Direct Loans Granted to Shareholders</b>	-	<b>117.901</b>
Corporate Shareholders	-	117.901
Real Person Shareholders	-	-
<b>Indirect Loans Granted to Shareholders</b>	<b>5.338</b>	<b>442.650</b>
<b>Loans Granted to Employees</b>	<b>12.900</b>	-
<b>Total</b>	<b>18.238</b>	<b>560.551</b>

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

**2. Information on the standard loans and loans under close monitoring including loans that have been restructured or rescheduled:**

Cash Loans	Loans under Close Monitoring			
	Standard Loans	Loans not Subject to Restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
<b>Non-specialized Loans</b>	<b>17.330.270</b>	<b>528.866</b>	<b>1.326.880</b>	-
Export Loans	1.052.937	23.471	75.325	-
Import Loans	183.189	-	4.637	-
Commercial Loans	12.030.894	396.401	1.167.321	-
Consumer Loans	1.482.786	69.213	8.156	-
Credit Cards	2.141.478	39.781	71.441	-
Loans Given to Financial Sector	228.830	-	-	-
Other	210.156	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>17.330.270</b>	<b>528.866</b>	<b>1.326.880</b>	-

	Standard Loans	Loans under Close Monitoring
General Provisions	253.614	54.161
<b>Total</b>	<b>253.614</b>	<b>54.161</b>

Number of Extensions	Standard Loans	Loans under Close Monitoring
Extended by 1 or 2 times	1.201.107	1.326.880
Extended by 3, 4 or 5 times	-	-
Extended by more than 5 times	-	-
<b>Total</b>	<b>1.201.107</b>	<b>1.326.880</b>

Extended period of time	Standard Loans	Loans under Close Monitoring
0 – 6 Months	566.953	39
6 – 12 Months	2.690	8.469
1 – 2 Years	184.904	184.770
2 – 5 Years	446.560	832.482
5 years or more	-	301.120
<b>Total</b>	<b>1.201.107</b>	<b>1.326.880</b>

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

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

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

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

	Short-term	Medium and Long-term	Total
<b>Consumer Loans-TL</b>	<b>42.616</b>	<b>1.315.590</b>	<b>1.358.206</b>
Mortgage Loans	-	588.116	588.116
Automotive Loans	116	7.058	7.174
Consumer Loans	42.500	716.146	758.646
Other	-	4.270	4.270
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>1.247</b>	<b>1.247</b>
Mortgage Loans	-	1.247	1.247
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>2.178.499</b>	<b>58.107</b>	<b>2.236.606</b>
Instalment	840.719	58.107	898.826
Non Instalment	1.337.780	-	1.337.780
<b>Individual Credit Cards-FC</b>	<b>6.635</b>	<b>-</b>	<b>6.635</b>
Instalment	275	-	275
Non Instalment	6.360	-	6.360
<b>Personnel Loans-TL</b>	<b>416</b>	<b>6.441</b>	<b>6.857</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	416	6.441	6.857
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>5.256</b>	<b>8</b>	<b>5.264</b>
Instalment	2.527	8	2.535
Non Instalment	2.729	-	2.729
<b>Personnel Credit Cards-FC</b>	<b>31</b>	<b>-</b>	<b>31</b>
Instalment	-	-	-
Non Instalment	31	-	31
<b>Overdraft Account-TL (Individual)</b>	<b>193.845</b>	<b>-</b>	<b>193.845</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>2.427.298</b>	<b>1.381.393</b>	<b>3.808.691</b>

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

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

	Short-term	Medium and Long-term	Total
<b>Commercial Instalment Loans-TL</b>	<b>74</b>	<b>110.103</b>	<b>110.177</b>
Mortgage Loans	74	94.449	94.523
Automotive Loans	-	-	-
Consumer Loans	-	15.654	15.654
Other	-	-	-
<b>Commercial Instalment Loans- Indexed to FC</b>	<b>-</b>	<b>60.674</b>	<b>60.674</b>
Mortgage Loans	-	2.264	2.264
Automotive Loans	-	561	561
Consumer Loans	-	57.849	57.849
Other	-	-	-
<b>Commercial Instalment Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>3.185</b>	<b>-</b>	<b>3.185</b>
Instalment	481	-	481
Non Instalment	2.704	-	2.704
<b>Corporate Credit Cards-FC</b>	<b>979</b>	<b>-</b>	<b>979</b>
Instalment	-	-	-
Non Instalment	979	-	979
<b>Overdraft Account-TL (Commercial)</b>	<b>109</b>	<b>-</b>	<b>109</b>
<b>Overdraft Account-FC (Commercial)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4.347</b>	<b>170.777</b>	<b>175.124</b>

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

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

**7. Distribution of domestic and foreign loans:**

	Current Period 30 September 2018
Domestic Loans	18.947.090
Foreign Loans	238.926
<b>Total (*)</b>	<b>19.186.016</b>

(\*) Includes the factoring receivables amounting to TL 282.465.



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

	<b>Prior Period 31 December 2017</b>
Domestic Loans	15.138.669
Foreign Loans	192.364
<b>Total (*)</b>	<b>15.331.033</b>

(\*) Includes the factoring receivables amounting to TL 394.213.

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

As of 30 September 2018 and 31 December 2017, the Bank has no loans granted to investments in associates and subsidiaries.

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

	<b>Current Period 30 September 2018</b>
Loans with Limited Collectability	18.576
Loans with Doubtful Collectability	54.189
Uncollectible Loans	597.524
<b>Total</b>	<b>670.289</b>

	<b>Prior Period 31 December 2017</b>
Loans and Other Receivables with Limited Collectability	12.128
Loans and Other Receivables with Doubtful Collectability	48.901
Uncollectible Loans and Other Receivables	526.338
<b>Total</b>	<b>587.367</b>

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with Limited Collectability</b>	<b>Loans with Doubtful Collectability</b>	<b>Uncollectible Loans</b>
<b>Current Period: 30 September 2018</b>			
Gross Amounts Before Provisions	176	4.310	10.043
Rescheduled Loans	176	4.310	10.043
<b>Prior Period: 31 December 2017</b>			
Gross Amounts Before Provisions	626	600	33.339
Rescheduled Loans	626	600	33.339

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with</b>	<b>Loans with</b>	<b>Uncollectible</b>
	<b>Limited</b>	<b>Doubtful</b>	<b>Loans</b>
	<b>Collectability</b>	<b>Collectability</b>	<b>Loans</b>
<b>Balance at the end of Prior Period: 31 December 2017</b>	<b>45.719</b>	<b>95.884</b>	<b>721.548</b>
Additions (+)	135.901	14.022	633
Transfers from Other Categories of Non-Performing Loans (+)	-	118.717	124.031
Transfers to Other Categories of Non-Performing Loans (-)	118.717	124.031	-
Collections (-)	24.634	27.425	93.902
Write-offs (-)	-	-	3.848
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Balance at the End of the Period: 30 September 2018</b>	<b>38.269</b>	<b>77.167</b>	<b>748.462</b>
Specific Provisions (-)	18.576	54.189	597.524
<b>Net Balance in Balance Sheet</b>	<b>19.693</b>	<b>22.978</b>	<b>150.938</b>

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

As of 30 September 2018, there are no non-performing loans granted as foreign currency loans (31 December 2017: None).

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans with</b>	<b>Loans with</b>	<b>Uncollectible</b>
	<b>Limited</b>	<b>Doubtful</b>	<b>Loans</b>
	<b>Collectability</b>	<b>Collectability</b>	<b>Loans</b>
<b>Current Period (Net): 30 September 2018</b>	<b>19.693</b>	<b>22.978</b>	<b>150.938</b>
Loans granted to corporate entities and real persons (Gross)	38.269	77.167	748.462
Provisions Amount (-)	18.576	54.189	597.524
Loans granted to corporate entities and real persons (Net)	19.693	22.978	150.938
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
<b>Prior Period (Net): 31 December 2017</b>	<b>33.591</b>	<b>46.983</b>	<b>195.210</b>
Loans granted to corporate entities and real persons (Gross)	45.719	95.884	721.548
Provisions Amount (-)	12.128	48.901	526.338
Loans granted to corporate entities and real persons (Net)	33.591	46.983	195.210
Banks (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

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

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

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

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

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

**f. Explanations on financial assets measured at amortised cost:**

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

**(i) Financial assets measured at amortised cost:**

As of 30 September 2018, the Bank has no financial assets measured at amortised cost given as collateral/blocked and subject to repurchase agreements.

**(ii) Investments held-to-maturity:**

As of 31 December 2017, the Bank has no investment held-to-maturity collateral/blocked and subject to repurchase agreements.

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

**(i) Financial assets measured at amortised cost:**

As of 30 September 2018, the Bank has no government debt securities measured at amortised.

**(ii) Investment securities held-to-maturity:**

As of 31 December 2017, the Bank has no investments securities held to maturity.

**3. (i) Information on financial assets measured at amortised cost:**

As of 30 September 2018, the Bank has no financial assets measured at amortised cost.

**(ii) Information on investment securities held-to-maturity:**

As of 31 December 2017, the Bank has no financial assets at fair value through amortised cost.

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

**4. (i) The movement of financial assets measured at amortised cost :**

As of 30 September 2018, the Bank has no movements of financial assets measured at amortised cost within the period.

**(ii) The movement of investment securities held-to-maturity:**

As of 31 December 2017, the Bank has no movements of investment securities Held-to-Maturity within the year.

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

The Bank has no associates as of 30 September 2018 and 31 December 2017.

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

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

**a) Unconsolidated subsidiaries:**

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

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss (**)	Prior Period Profit/Loss	Fair Value
4.870	4.317	14	-	-	1.469	1.180	-

(\*) Prepared with the non-reviewed financial statements as of 30 June 2018.

(\*\*) The prior period balances represents the non-reviewed amounts as of 30 September 2017.

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

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

**a) Consolidated subsidiaries:**

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

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

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss (**)	Fair Value
107.499	70.948	117	3.118	922	14.501	14.926	-

(\*) Prepared with the reviewed financial statements as of 30 June 2018.

(\*\*) The prior period balances represent the non-reviewed amounts as of 30 September 2017.

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

	<b>Current Period 30 September 2018</b>
<b>Balance at the Beginning of the Period</b>	<b>34.753</b>
<b>Movements During the Period</b>	<b>-</b>
Purchases	-
Bonus Shares and Contributions to Capital	-
Dividends From Current Year Profit	-
Sales/Liquidation	-
Revaluation Increase	-
Increase/(Decrease) of Valuation	-
<b>Balance at the End of the Period</b>	<b>34.753</b>
<b>Capital Commitments</b>	<b>-</b>
<b>Share Percentage at the End of the Period (%)</b>	<b>99,87</b>

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

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

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

	<b>Current Period 30 September 2018</b>
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries	34.753

  

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

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

The Bank has no subsidiaries quoted on a stock exchange as of 30 September 2018 and 31 December 2017.

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

1. The Bank has no jointly controlled entities as of 30 September 2018 and 31 December 2017.
2. As of 30 September 2018 and 31 December 2017, the accounting method is not determined since the Bank has no jointly controlled entities.

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

As of 30 September 2018 and 31 December 2017, the Bank has no finance leases.

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

The Bank has no hedging of derivative financial assets as of 30 September 2018 and 31 December 2017.

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

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

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

**m. Information on intangible assets:**

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

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

As of 30 September 2018 and 31 December 2017, the Bank has no investment properties.

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

As of 30 September 2018, foreign currency deferred tax asset of the Bank is TL 172.918 (31 December 2017: TL 146.265). Temporary differences subject to deferred tax calculation result from mainly the differences between the book values, tax values and debts of fixed assets and financial assets, and provision for employee rights.

Deferred tax assets and liabilities, which are accounted for the temporary differences arising between applicable accounting policies and valuation principles and tax legislation in the Bank, are netted-off and accounted. As of 30 September 2018, The Bank’s information regarding deferred tax have been explained in Note XIX of Section Three.

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

As of 30 September 2018, assets held for sale of the Bank is TL 1.581 (31 December 2017: TL 1.690).

**r. Information on other assets:**

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

	<b>Current Period 30 September 2018</b>
Miscellaneous Receivables (*)	402.984
Prepaid Expenses	38.820
Debited Suspense Accounts	59.521
Other Rediscount Income	24.851
Other Assets	183
<b>Total</b>	<b>526.359</b>

(\*) Includes BIST and derivative securities.

	<b>Prior Period 31 December 2017</b>
Miscellaneous Receivables (*)	138.520
Prepaid Expenses	45.131
Debited Suspense Accounts	35.711
Other Rediscount Income	19.614
Other Assets	283
<b>Total</b>	<b>239.259</b>

(\*) Includes BIST and derivative securities.

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

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

As of 30 September 2018 and 31 December 2017, the Bank has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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

**a. Information on deposits**

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

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

**1 (i). Current Period – 30 September 2018:**

	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	311.908	-	685.135	3.636.677	273.742	65.873	36.405	-	5.009.740
Foreign Currency Deposits	2.723.644	-	4.721.368	7.677.088	458.099	258.566	73.950	-	15.912.715
Residents in Turkey	2.360.727	-	4.668.290	7.057.906	365.527	232.139	32.582	-	14.717.171
Residents Abroad	362.917	-	53.078	619.182	92.572	26.427	41.368	-	1.195.544
Public Sector Deposits	33.015	-	-	-	-	-	-	-	33.015
Commercial Deposits	670.119	-	1.202.164	508.515	61.951	24	703	-	2.443.476
Other Institutions Deposits	9.448	-	291	2	-	-	-	-	9.741
Precious Metal Deposit	277.124	-	6.120	117.531	1.140	2.695	-	-	404.610
Bank Deposits	67.682	-	226.782	-	-	-	-	-	294.464
The CBRT	-	-	150.319	-	-	-	-	-	150.319
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	67.682	-	76.463	-	-	-	-	-	144.145
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4.092.940</b>	<b>-</b>	<b>6.841.860</b>	<b>11.939.813</b>	<b>794.932</b>	<b>327.158</b>	<b>111.058</b>	<b>-</b>	<b>24.107.761</b>

**1 (ii). Prior Period - 31 December 2017:**

	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	327.489	-	621.402	2.353.417	101.779	35.963	18.771	-	3.458.821
Foreign Currency Deposits	1.755.597	-	2.212.430	5.476.086	306.760	93.851	47.733	-	9.892.457
Residents in Turkey	1.480.797	-	2.090.588	4.977.945	270.272	76.959	15.866	-	8.912.427
Residents Abroad	274.800	-	121.842	498.141	36.488	16.892	31.867	-	980.030
Public Sector Deposits	7.594	-	-	-	-	-	-	-	7.594
Commercial Deposits	362.110	-	844.775	20.325	12.325	34	1.307	-	1.240.876
Other Institutions Deposits	3.665	-	696	-	-	-	-	-	4.361
Precious Metal Deposit	176.338	-	-	-	-	-	79.865	-	256.203
Bank Deposits	57.602	-	1.451.801	-	-	-	-	-	1.509.403
The CBRT	-	-	1.418.277	-	-	-	-	-	1.418.277
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	57.602	-	33.524	-	-	-	-	-	91.126
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2.690.395</b>	<b>-</b>	<b>5.131.104</b>	<b>7.849.828</b>	<b>420.864</b>	<b>129.848</b>	<b>147.676</b>	<b>-</b>	<b>16.369.715</b>



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

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

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

	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Current Period 30 September 2018	Current Period 30 September 2018
Saving Deposits	1.929.284	3.074.932
Foreign Currency Saving Deposits	1.961.197	9.434.396
Other Deposits in the Form of Saving Deposits	8.983	90.274
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-
<b>Total</b>	<b>3.899.464</b>	<b>12.599.602</b>

	Covered by Deposit Insurance Fund	Exceeding Deposit Insurance Limit
	Prior Period 31 December 2017	Prior Period 31 December 2017
Saving Deposits	1.930.866	1.528.221
Foreign Currency Saving Deposits	1.740.269	6.364.267
Other Deposits in the Form of Saving Deposits	11.687	56.390
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	-	-
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-
<b>Total</b>	<b>3.682.822</b>	<b>7.948.878</b>

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

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

	Current Period 30 September 2018
Foreign Branches' Deposits and other accounts	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-
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 wardship	17.047
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	-

	Prior Period 31 December 2017
Foreign Branches' Deposits and other accounts	-
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wardship	-
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 wardship	12.238
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	-

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

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

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
Forward Transactions	-	512.337
Swap Transactions	3.708	647.115
Future Transactions	-	-
Options	-	647.203
Other	-	-
<b>Total</b>	<b>3.708</b>	<b>1.806.655</b>

	<b>Prior Period 31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
Forward Transactions	8.477	51.668
Swap Transactions	198.757	256.279
Future Transactions	-	-
Options	-	223.998
Other	-	-
<b>Total</b>	<b>207.234</b>	<b>531.945</b>

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

As of 30 September 2018, the Bank has TL 1.541.343 funds provided under repurchase agreements (31 December 2017: None).

**d. Information on funds borrowed:**

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
Borrowings from the CBRT	-	-
Domestic Bank and Institutions	-	-
Foreign Banks and Institutions and Funds	588.241	1.306.395
<b>Total</b>	<b>588.241</b>	<b>1.306.395</b>

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

	<b>Prior Period</b>	
	<b>31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
Borrowings from the CBRT	-	-
Domestic Bank and Institutions	-	-
Foreign Banks and Institutions and Funds	818.610	1.786.117
<b>Total</b>	<b>818.610</b>	<b>1.786.117</b>

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

	<b>Current Period</b>	
	<b>30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
Short-Term	-	97.448
Medium and Long-Term	588.241	1.208.947
<b>Total</b>	<b>588.241</b>	<b>1.306.395</b>

	<b>Prior Period</b>	
	<b>31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
Short-Term	-	80.013
Medium and Long-Term	818.610	1.706.104
<b>Total</b>	<b>818.610</b>	<b>1.786.117</b>

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

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

**e. Information on foreign other liabilities:**

Other foreign liabilities of the Bank under “Other Liabilities” do not exceed 10% of the total liabilities.

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

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

None (31 December 2017: None).

**ii. Explanations on operational lease:**

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

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

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

	<b>Current Period 30 September 2018</b>
Less Than 1 Year	21.529
Between 1- 4 Years	4.761
More Than 4 Years	472
<b>Total</b>	<b>26.762</b>
	<b>Prior Period 31 December 2017</b>
Less Than 1 Year	20.129
Between 1- 4 Years	1.495
More Than 4 Years	749
<b>Total</b>	<b>22.373</b>

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

As of 30 September 2018, the Bank has no derivative financial liabilities for hedging purposes (31 December 2017: None).

**h. Information on provisions:**

**1. Information on general provisions:**

	<b>Current Period 30 September 2018</b>
<b>General Provisions</b>	<b>501.763</b>
Provisions for First Group Loans and Receivables	253.614
Provisions for Second Group Loans and Receivables	54.161
Provisions for Non-Cash Loans	45.982
Other	148.006
	<b>Prior Period 31 December 2017</b>
<b>General Provisions</b>	<b>430.929</b>
Provisions for First Group Loans and Receivables	274.605
Provisions for Second Group Loans and Receivables	38.934
Provisions for Non-Cash Loans	25.985
Other	91.405

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

As of 30 September 2018, the Bank has employee termination benefit provision amounting to TL 51.176 (31 December 2017: TL 55.835), and unused vacation provision amounting to TL 8.556 (31 December 2017: TL 7.681).

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

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

The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount is TL 5.434,42 (full TL) (31 December 2017: TL 4.732,49 (full TL)). Employee termination benefit liability is not legally dependent on any kind of funding, and there is no requirement on funding.

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

The assumption is that retirement pay ceiling is expected to increase as per the inflation rate every year. Thus discount rate applied shall represent real rate, net of inflation. Since retirement pay ceiling amount is determined once every six months, employee benefit liability of the Bank is calculated from the ceiling amount valid from 1 July 2018, TL 5.434,42 (full TL) (31 December 2017: TL 4.732,49 (full TL)).

	<b>Current Period 30 September 2018</b>
As of January 1	55.835
Service Cost	6.834
Interest Cost	4.300
Actuarial Loss / (Gain)	(5.384)
Paid in Current Period	(10.409)
<b>Total</b>	<b>51.176</b>
	<b>Prior Period 31 December 2017</b>
As of January 1	48.491
Service Cost	7.844
Interest Cost	4.908
Actuarial Loss / (Gain)	6.571
Paid in Current Period	(11.979)
<b>Total</b>	<b>55.835</b>

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

As of 30 September 2018, the bank has no provisions related to foreign currency difference on the principles of foreign currency indexed loans (31 December 2017: TL 6.426).

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

As of 30 September 2018, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.371 (31 December 2017: TL 305).

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**5. Information on restructuring provisions:**

As of 30 September 2018, provision for restructuring is amounting to TL 47.846 (31 December 2017: TL 85.965).

**6. Information on other provisions:**

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

As of 30 September 2018, the Bank has no free provisions for possible risks (31 December 2017: None).

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

	<b>Current Period 30 September 2018</b>
Provision for Lawsuits	29.881
Provision for Accumulated Credit Card Bonus	4.225
Return Provision of Case File Expenses	1.648
Specific Provision for Non-Cash Loans that are Non-Funded and Non-Transformed into Cash	1.371
Other Provisions (*)	31.537
<b>Total</b>	<b>68.662</b>

(\*) Includes other provisions within TAS 37.

	<b>Prior Period 31 December 2017</b>
Provision For Lawsuits	31.315
Provision for Accumulated Credit Card Bonus	4.809
Return Provision of Case File Expenses	2.070
Specific Provision for Non-Cash Loans that are Non-Funded And Non-Transformed into Cash	13.194
Other Provisions (*)	49.275
<b>Total</b>	<b>100.663</b>

(\*) Includes other provisions within TAS 37.

**i. Explanations on tax liability:**

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

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

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

	<b>Current Period 30 September 2018</b>
Taxation on Marketable Securities	21.869
Banking Insurance Transaction Tax (BITT)	17.625
Value Added Tax Payable	491
Capital Gains Tax on Property	461
Foreign Exchange Transaction Tax	-
Corporate Taxes Payable	-
Other (*)	6.008
<b>Total</b>	<b>46.454</b>

(\*) As of 30 September 2018, other taxes payable amount consists of payroll tax amounting to TL 5.579, stamp tax amounting to TL 180, other taxes amounting to TL 140, and self-employed income tax amounting to TL 109.

	<b>Prior Period 31 December 2017</b>
Taxation on Marketable Securities	11.569
Banking Insurance Transaction Tax (BITT)	11.187
Value Added Tax Payable	1.432
Capital Gains Tax on Property	470
Foreign Exchange Transaction Tax	-
Corporate Taxes Payable	-
Other (*)	9.173
<b>Total</b>	<b>33.831</b>

(\*) As of 31 December 2017, other taxes payable amount consists of payroll tax amounting to TL 8.138, stamp tax amounting to TL 221 and other taxes amounting to TL 806, and self-employed income tax amounting to TL 8.

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

	<b>Current Period 30 September 2018</b>
Social Security Premiums – Employer	3.363
Social Security Premiums – Employee	4.003
Bank Social Aid Pension Fund Premium – Employer	-
Bank Social Aid Pension Fund Premium – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Pension Fund Membership Fees and Provisions – Employee	-
Unemployment Insurance – Employer	568
Unemployment Insurance – Employee	279
Other	-
<b>Total</b>	<b>8.213</b>

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	<b>Prior Period 31 December 2017</b>
Social Security Premiums – Employer	3.992
Social Security Premiums – Employee	3.548
Bank Social Aid Pension Fund Premium – Employer	-
Bank Social Aid Pension Fund Premium – Employee	-
Pension Fund Membership Fees and Provisions – Employer	-
Pension Fund Membership Fees and Provisions – Employee	-
Unemployment Insurance – Employer	694
Unemployment Insurance – Employee	401
Other	-
<b>Total</b>	<b>8.635</b>

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

Information on the Bank’s deferred tax liability as of 30 September 2018 is explained in Note XIX of Section Three.

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

As of 30 September 2018 and 31 December 2017, the Bank has no liabilities regarding assets held for sale and discontinued operations.

**k. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:**

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

**l. Information on shareholder’s equity:**

**1. Presentation of paid-in capital:**

	<b>Current Period 30 September 2018</b>
Common Stock Provision	652.290
Preferred Stock Provision	-
	<b>Prior Period 31 December 2017</b>
Common Stock Provision	652.290
Preferred Stock Provision	-

Amount of paid-in capital is presented in nominal amount. As of 30 September 2018 capital reserve due to adjustment of the paid-in capital for inflation amounts to TL 272.693 has been classified under the other capital reserve sub-account (31 December 2017: Other capital reserve is amounting to TL 272.693).

**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.



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**3. Information on the share capital increases during the period, their sources and other information:**

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

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

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

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

The Bank has no capital commitments.

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

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

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

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

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	(90.631)	-
Foreign Currency Difference	-	-
<b>Total</b>	<b>(90.631)</b>	<b>-</b>
	<b>Prior Period 31 December 2017</b>	
	<b>TL</b>	<b>FC</b>
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-
Valuation Difference	(22.622)	4.723
Foreign Currency Difference	-	-
<b>Total</b>	<b>(22.622)</b>	<b>4.723</b>

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

As of 30 September 2018 and 31 December 2017, the Bank has no revaluation value increase fund.

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

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

Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Parent Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

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

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

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

	<b>Current Period 30 September 2018</b>
	14.772.449
Asset Purchase and Sale Commitments	
Commitments for Credit Card Limits	3.465.315
Commitments for Cheques	22.654
Loan Granting Commitments	544.997
Short Sale Commitments	-
Commitments for Credit Cards and Banking Services Promotions	13.468
Tax and Fund Liabilities from Export Commitments	2.286
Other Irrevocable Commitments	585.978
<b>Total</b>	<b>19.407.147</b>

	<b>Prior Period 31 December 2017</b>
	11.388.208
Asset Purchase and Sale Commitments	
Commitments for Credit Card Limits	3.872.439
Commitments for Cheques	489.830
Loan Granting Commitments	246.829
Short Sale Commitments	-
Commitments for Credit Cards and Banking Services Promotions	14.780
Tax and Fund Liabilities from Export Commitments	1.892
Other Irrevocable Commitments	598.279
<b>Total</b>	<b>16.612.257</b>

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

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

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**III. EXPLANATIONS AND NOTES RELATED TO 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:**

	<b>Current Period 30 September 2018</b>
Letters of Guarantee	2.028.007
Letters of Credit	1.602.175
Bank Acceptances	1.746
Other Guarantees	430.113
<b>Total</b>	<b>4.062.041</b>
	<b>Prior Period 31 December 2017</b>
Letters of Guarantee	1.589.939
Letters of Credit	698.997
Bank Acceptances	155.184
Other Guarantees	353.187
<b>Total</b>	<b>2.797.307</b>

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

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

**3. Information on the non-cash loans:**

**3 (i). Total amount of non-cash loans:**

	<b>Current Period 30 September 2018</b>
<b>Non-Cash Loans Given for Cash Loan Risks</b>	
<b>Non-Cash Loans</b>	-
With Original Maturity of One Year or Less	-
With Original Maturity of More Than One Year	-
<b>Other Non-Cash Loans</b>	<b>4.062.041</b>
<b>Total</b>	<b>4.062.041</b>
	<b>Prior Period 31 December 2017</b>
<b>Non-Cash Loans Given for Cash Loan Risks</b>	
<b>Non-Cash Loans</b>	-
With Original Maturity of One Year or Less	-
With Original Maturity of More Than One Year	-
<b>Other Non-Cash Loans</b>	<b>2.797.307</b>
<b>Total</b>	<b>2.797.307</b>

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**3 (ii). Information on sectoral risk concentration within the non-cash loans:**

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

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

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

**b. Explanations on derivative transactions:**

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

**c. Explanations on credit derivatives and risk exposures on credit derivatives:**

None.

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

Contingent assets are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 30 September 2018, there is no contingent assets to be disclosed.

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

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 September 2018, the total amount of these lawsuits filed against the Bank is TL 29.881 (31 December 2017: TL 29.109). A total provision of TL 31.529 (31 December 2017: TL 33.385) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favor, with TL 1.648 (31 December 2017: TL 2.070) being for provisions for refunds related to case document charges.

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

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

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

**a. Information on interest income:**

**1. Information on interest income received from loans :**

	<b>Current Period</b>	
	<b>30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
<b>Interest Income on Loans (*)</b>		
Short-Term Loans	1.027.033	27.472
Medium and Long-Term Loans	309.383	187.034
Interest on Loans Under Follow-Up	17.984	-
Resource Utilization Support Fund	-	-
<b>Total</b>	<b>1.354.400</b>	<b>214.506</b>

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

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	<b>Prior Period 30 September 2017</b>	
	<b>TL</b>	<b>FC</b>
<b>Interest Income on Loans (*)</b>		
Short-Term Loans	671.367	4.693
Medium and Long-Term Loans	329.505	138.417
Interest on Loans Under Follow-Up	26.938	-
Resource Utilization Support Fund	-	-
<b>Total</b>	<b>1.027.810</b>	<b>143.110</b>

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

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
From the CBRT	307.974	201
From Domestic Banks	67.456	629
From Foreign Banks	279	3.411
Headquarters and Branches Abroad	-	-
<b>Total</b>	<b>375.709</b>	<b>4.241</b>

	<b>Prior Period 30 September 2017</b>	
	<b>TL</b>	<b>FC</b>
From the CBRT	213.551	-
From Domestic Banks	18.819	-
From Foreign Banks	2.159	396
Headquarters and Branches Abroad	-	-
<b>Total</b>	<b>234.529</b>	<b>396</b>

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
From Financial Assets at Fair Value Through Profit or Loss	6.428	650
From Financial Assets at Fair Value Through Other Comprehensive Income	66.997	-
From Financial Assets Measured at Amortised Cost	-	-
<b>Total</b>	<b>73.425</b>	<b>650</b>

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

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

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

As of 30 September 2018 and 30 September 2017, the Bank has no interest income received from investments in associates and subsidiaries.

**b. Information on interest expense:**

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

	<b>Current Period 30 September 2018</b>	
	<b>TL</b>	<b>FC</b>
Banks	-	-
The CBRT	21	1
Domestic Banks	65.188	131.278
Foreign Banks	-	-
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
<b>Total</b>	<b>65.209</b>	<b>131.279</b>

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

	<b>Prior Period 30 September 2017</b>	
	<b>TL</b>	<b>FC</b>
Banks	-	-
The CBRT	-	-
Domestic Banks	48	50
Foreign Banks	62.323	106.379
Headquarters and Branches Abroad	-	-
Other Institutions	-	-
<b>Total</b>	<b>62.371</b>	<b>106.429</b>

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

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

	<b>Current Period 30 September 2018</b>
Interest Expenses Given to Subsidiaries and Associates	2.630

	<b>Prior Period 30 September 2017</b>
Interest Expenses Given to Subsidiaries and Associates	1.353

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

The Bank has no interest expense paid on securities as of 30 September 2018 and 30 September 2017.

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

Current Period: 30 September 2018	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
<b>Turkish Lira</b>								
Interbank deposits	-	11.962	-	-	-	-	-	11.962
Saving deposits	-	83.472	271.155	12.941	3.146	1.088	-	371.802
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	83.729	13.645	2.405	2	49	-	99.830
Other deposits	-	19	147	-	-	-	-	166
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>179.182</b>	<b>284.947</b>	<b>15.346</b>	<b>3.148</b>	<b>1.137</b>	-	<b>483.760</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	36.364	120.098	11.977	4.113	694	-	173.246
Interbank deposits	-	37.019	-	-	-	-	-	37.019
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	42	817	7	22	-	-	888
<b>Total</b>	-	<b>73.425</b>	<b>120.915</b>	<b>11.984</b>	<b>4.135</b>	<b>694</b>	-	<b>211.153</b>
<b>Grand Total</b>	-	<b>252.607</b>	<b>405.862</b>	<b>27.330</b>	<b>7.283</b>	<b>1.831</b>	-	<b>694.913</b>

Prior Period: 30 September 2017	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
<b>Turkish Lira</b>								
Interbank deposits	-	21.246	-	-	-	-	-	21.246
Saving deposits	-	52.416	186.345	7.375	2.284	1.511	-	249.931
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	45.091	2.162	2.039	19	88	-	49.399
Other deposits	-	21	26	-	-	-	-	47
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>118.774</b>	<b>188.533</b>	<b>9.414</b>	<b>2.303</b>	<b>1.599</b>	-	<b>320.623</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	25.341	67.731	7.687	1.343	512	-	102.614
Interbank deposits	-	21.660	-	-	-	-	-	21.660
Deposits with 7 days maturity	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	663	15	20	-	-	698
<b>Total</b>	-	<b>47.001</b>	<b>68.394</b>	<b>7.702</b>	<b>1.363</b>	<b>512</b>	-	<b>124.972</b>
<b>Grand Total</b>	-	<b>165.775</b>	<b>256.927</b>	<b>17.116</b>	<b>3.666</b>	<b>2.111</b>	-	<b>445.595</b>

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

As of 30 September 2018, the Bank has interest given on repurchase agreements amounting to TL 28.205 (30 September 2017: TL 18.058).

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

The Bank has no finance lease expenses during the periods ended on 30 September 2018 and 30 September 2017.

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

The Bank has no interest given on factoring payables during the period ended on 30 September 2018 and 30 September 2017.

**c. Explanations on dividend income:**

As of 30 September 2018, the share of the Bank in the dividend distribution of its subsidiaries is TL 20.730 (30 September 2017: TL 42.539).

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

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

	<b>Current Period 30 September 2018</b>
<b>Profit</b>	<b>76.153.030</b>
Capital Market Transactions Income	60.450
Gain on Derivative Financial Transactions	12.417.943
Foreign Exchange Gains	63.674.637
<b>Loss (-)</b>	<b>76.514.571</b>
Capital Market Transactions Loss	49.714
Loss on Derivative Financial Transactions	10.252.283
Foreign Exchange Loss	66.212.574
<b>Total (Net)</b>	<b>(361.541)</b>

	<b>Prior Period 30 September 2017</b>
<b>Profit</b>	<b>84.042.969</b>
Capital Market Transactions Income	22.683
Gain on Derivative Financial Transactions	4.122.013
Foreign Exchange Gains	79.898.273
<b>Loss (-)</b>	<b>84.406.500</b>
Capital Market Transactions Loss	8.462
Loss on Derivative Financial Transactions	4.470.236
Foreign Exchange Loss	79.927.802
<b>Total (Net)</b>	<b>(363.531)</b>



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

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

	<b>Current Period 30 September 2018</b>
Effect of the Change in Exchange Rates on Profit/Loss	2.188.692
Effect of the Change in Interest Rates on Profit/Loss	(23.032)
<b>Total (Net)</b>	<b>2.165.660</b>
	<b>Prior Period 30 September 2017</b>
Effect of the Change in Exchange Rates on Profit/Loss	(635.814)
Effect of the Change in Interest Rates on Profit/Loss	287.591
<b>Total (Net)</b>	<b>(348.223)</b>

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

	<b>Current Period 30 September 2018</b>
Reverse of Previous Years Expenses	151.601
Gain on Sale of Assets	2.508
Provision for Telecommunication Expense	1.418
Other Income	21.839
<b>Total</b>	<b>177.366</b>
	<b>Prior Period 30 September 2017</b>
Reverse of Previous Years Expenses	119.339
Gain on Sale of Non-Performing Loan (*)	66.097
Gain on Sale of Assets	916
Provision for Telecommunication Expense	2.476
Other Income	16.531
<b>Total</b>	<b>205.359</b>

(\*) Includes the amount from the sale of non-performing corporate and commercial loans amounting to TL 67.171 for TL 16.797 on 27 March 2017, and the amount from the sale of non-performing credit card and consumer loans amounting to TL 540.335 for TL 49.300 on 21 September 2018.

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

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

	<b>Current Period 30 September 2018</b>
Specific Provisions	187.433
Loans with Limited Collectability	25.304
Loans with Doubtful Collectability	37.831
Uncollectible Loans	124.298
General Provisions	40.547
Marketable Securities Impairment Expense	1.205
Financial Assets at Fair Value Through Profit or Loss	1.046
Financial Assets at Fair Value Through Other Comprehensive	159
Investments in Associates, Subsidiaries and Held-to-Maturity Securities	
Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Jointly Controlled Entities (Joint Ventures)	-
Other	-
<b>Total</b>	<b>229.185</b>
	<b>Prior Period 30 September 2017</b>
Specific Provisions for Loans and Other Receivables	276.068
III. Group Loans and Receivables	14.429
IV. Group Loans and Receivables	66.141
V. Group Loans and Receivables	195.498
General Provision Expenses	1.497
Provision Expense for Possible Risks	-
Marketable Securities Impairment Expense	6
Financial Assets at Fair Value Through Profit or Loss	6
Available-for-sale Financial Assets	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities	
Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Jointly Controlled Entities (Joint Ventures)	-
Investments Held-to-maturity	-
Other	6.977
<b>Total</b>	<b>284.548</b>

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

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

	<b>Current Period 30 September 2018</b>
Personnel Expenses (*)	310.786
Reserve for Employee Termination Benefits	1.196
Bank Social Aid Provision Fund Deficit Provision	-
Impairment Expenses of Property and Equipment	-
Depreciation Expenses of Property and Equipment	17.419
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	15.309
Impairment Expenses of Equity participants for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Sale	-
Depreciation Expenses on Assets Held for Sale	31
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	205.252
Operational Lease Expenses	54.547
Maintenance Licensing Expenses	34.334
Maintenance Expenses	19.115
Communication Expenses	12.882
Advertisement Expenses	12.282
Other Expenses	72.092
Loss on Sales of Assets	1.548
Tax, Duties, Charges and Funds Expenses	25.536
Saving Deposit Insurance Fund Expenses	24.494
Other (**)	138.834
<b>Total</b>	<b>740.405</b>

(\*) “Personnel Expenses” disclosed in “Information related to other operating expenses” and is presented separately, and not presented in “Other Operating Expense” in the income statement.

(\*\*) Amount of TL 138.834 disclosed under “Other”, consists of audit fee amounting to TL 6.660, arbitration committee expenses amounting to TL 1.678 and remaining TL 130.496 of other expenses.

	<b>Prior Period 30 September 2017</b>
Personnel Expenses	324.210
Reserve for Employee Termination Benefits	4.746
Bank Social Aid Provision Fund Deficit Provision	-
Impairment Expenses of Property and Equipment	-
Depreciation Expenses of Property and Equipment	16.777
Impairment Expenses of Intangible Assets	-
Goodwill Impairment Expenses	-
Amortization Expenses of Intangible Assets	12.481
Impairment Expenses of Equity participants for which Equity Method is Applied	-
Impairment Expenses of Assets Held for Sale	-
Depreciation Expenses on Assets Held for Sale	46
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-
Impairment Expenses on Assets	-
Other Operating Expenses	224.857
Operational Lease Expenses	74.983
Maintenance Licensing Expenses	26.538
Maintenance Expenses	21.250
Communication Expenses	16.219
Advertisement Expenses	9.601
Other Expenses	76.266
Loss on Sales of Assets	5.665
Tax, Duties, Charges and Funds Expenses	25.119
Saving Deposit Insurance Fund Expenses	23.302
Other (*)	77.439
<b>Total</b>	<b>714.642</b>

(\*) Amount of TL 77.439 consists of audit fee amounting to TL 20.908, arbitration committee expenses amounting to TL 5.875 and remaining TL 50.656 of other expenses.

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

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

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

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

As of 30 September 2018, the Bank has corporate tax provision expense amounting to TL 18.632 (30 September 2017: TL 1.424 expense) and deferred tax expense of TL 58.884 (30 September 2017: TL 856 expense).

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

There are no matters to be disclosed regarding operating profit/loss after tax.

**k. Explanation on net profit and loss for the period:**

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

Net interest income, amounting to TL 1.192.717 (30 September 2017: TL 998.383), net wage and commission income amounting to TL 262.871 (30 September 2017: TL 253.600) have an important role among the income items in the accounting period ending on 30 September 2018. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank’s interest income are the interests received from loans and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

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

	<b>Current Period 30 September 2018</b>
Credit Card Transactions	168.939
Commissions Received from Banking Transactions	35.716
Insurance Commissions	28.492
Tefas Fund Platform	9.694
Other Fee and Commissions	25.052
<b>Total</b>	<b>267.893</b>

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

	<b>Prior Period 30 September 2017</b>
Credit Card Transactions	174.728
Insurance Commissions	28.733
Commissions Received from Banking Transactions	23.128
Tefas Fund Platform	7.616
Other Fee and Commissions	34.208
<b>Total</b>	<b>268.413</b>

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

**a. Information on the current year adjustments made in accordance with the requirements of the accounting standard on financial instruments:**

**1. Decreases/increases after the revaluation of financial assets at fair value through other comprehensive income:**

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

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

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

**b. Information on adjustments made for the application of standard on accounting for financial instruments in the current year:**

**1. Information on financial investments at fair value through other comprehensive income:**

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

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

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

**c. Information on dividend distribution:**

None.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**e. Additional information:**

None.

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

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

**Current Period – 30 September 2018:**

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Individuals and Legal Entities in the Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans						
Opening Balance	-	179	5.338	560.551	-	-
Closing Balance	-	112	16.290	759.139	-	-
Interest and Commission Income	-	-	215	1.234	-	-

**Prior Period - 31 December 2017:**

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>		<b>Direct or Indirect Shareholders of the Bank</b>		<b>Other Individuals and Legal Entities in the Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and Other Receivables						
Opening Balance	-	171	7.404	545.492	-	-
Closing Balance	-	179	5.338	560.551	-	-
Interest and Commission Income (*)		1	2.780	1.346	-	-

(\*) The prior period balances present amounts of 30 September 2017.

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

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>	<b>Direct or Indirect Shareholders of the Bank</b>	<b>Other Individuals and Legal Entities in the Risk Group</b>
	<b>Current Period 30 September 2018</b>	<b>Current Period 30 September 2018</b>	<b>Current Period 30 September 2018</b>
<b>Deposit</b>			
Opening Balance	21.499	57.602	11.837
Closing Balance	28.137	75.492	11.663
Interest expense on deposits	2.630	-	295

<b>Risk Group of the Bank</b>	<b>Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)</b>	<b>Direct or Indirect Shareholders of the Bank</b>	<b>Other Individuals and Legal Entities in the Risk Group</b>
	<b>Prior Period 31 December 2017</b>	<b>Prior Period 31 December 2017</b>	<b>Prior Period 31 December 2017</b>
<b>Deposit</b>			
Opening Balance	29.999	123.094	14.129
Closing Balance	21.499	57.602	11.837
Interest expense on deposits (*)	1.353	-	255

(\*) The prior period balances present amounts of 30 September 2017.

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

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

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Current Period 30 September 2018	Current Period 30 September 2018	Current Period 30 September 2018
<b>The Fair Value Differences Through Profit and Loss</b>			
Opening Balance	-	60.853.334	-
Closing Balance	-	24.665.436	-
Total Profit/Loss	-	2.235.686	-
<b>Transactions for Hedging Purposes</b>			
Opening Balance	-	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

  

Risk Group of the Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)	Direct or Indirect Shareholders of the Parent Bank	Other Individuals and Legal Entities in the Risk Group
	Prior Period 31 December 2017	Prior Period 31 December 2017	Prior Period 31 December 2017
<b>The Fair Value Differences Through Profit and Loss</b>			
Opening Balance	-	34.002.552	-
Closing Balance	-	60.853.334	-
Total Profit/Loss (*)	-	(874.003)	-
<b>Transactions for Hedging Purposes</b>			
Opening Balance	-	559.703	-
Closing Balance	-	-	-
Total Profit/Loss (*)	-	-	-

(\*) The prior period balances present amounts of 30 September 2017.

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

As of 30 September 2018, payment is made to the Board of Directors and top executives of the Bank amounting to TL 15.210 (30 September 2017: TL 14.940).

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

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

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

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

None.



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**SECTION SIX**

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

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

As of 30 September 2018, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and review report dated 12 November 2018 is presented before to the unconsolidated financial statements.

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

None.

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**SECTION SEVEN**

**INTERIM ACTIVITY REPORT**

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

**GENERAL INFORMATION**

**1. Summary information about HSBC Bank A.Ş.**

HSBC Bank was established as Midland Bank Anonim Şirketi in Istanbul in 1990 and changed its title to HSBC Bank Anonim Şirketi in 1999.

HSBC Bank, which has been operating in the corporate banking field and capital markets since establishment, started providing personal banking services after 1997.

HSBC Bank expanded its products and services range with a branch network after HSBC Bank Plc. acquired Demirbank T.A.Ş. and its selected affiliates in September 2001 and merged with HSBC Bank A.Ş. in December 2001.

HSBC Bank provides services within fields such as Corporate Banking and Investment Banking, Retail Banking and Savings Management and Private Banking with its branches, telephone banking, ATM banking, and digital banking channels.

Based on the approval of the Banking Regulation and Supervision Agency dated 21 June 2017, 10,01% share of HSBC Bank Plc.'s 100% ownership of the Bank's capital was transferred to HSBC Bank Middle East Limited and remaining 89,99% share of HSBC Bank Plc. was transferred to HSBC Middle East Holdings B.V. through share transfer agreement dated 29 June 2017.

**2. Capital and shareholding structure**

The Bank has made no changes in their capital and shareholding structure as well as its shareholders who directly or indirectly; individually or as a group has an influence over the Bank's audit and management, as of the accounting period ended on 30 September 2018. HSBC Middle East Holdings B.V. has a shareholding rate of 89.99% and HSBC Bank Middle East Limited has 10.01% shareholding rate of the Bank's shares. HSBC Bank A.Ş.'s Chairman of the Board of Directors, its members, and general manager and his/her assistants' shares of ownership are insignificant. As of 30 September 2018, HSBC Bank A.Ş.'s paid-in capital is TL 652.290 Thousand and its capital structure is as follows:

<b>Shareholder's Name and Surname/Title</b>	<b>Number of shares</b>	<b>Share amount (TL)</b>
Publicly offered	-	-
Non-publicly offered	65.229.000.000	652.290.000
HSBC Middle East Holdings B.V.	58.699.577.100	586.995.771
HSBC Bank Middle East Limited	6.529.422.600	65.294.226
HSBC Group Nominees UK Limited	100	1
HSBC Latin America Holdings (UK) Limited	100	1
HSBC Overseas Holdings (UK) Limited	100	1
<b>Total</b>	<b>65.229.000.000</b>	<b>652.290.000</b>

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CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER  
RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)**

**3. Information on Branches and Personnel**

As of 30 September 2018, the Bank has 82 branches dispersed throughout the country (31 December 2017: 82 branches). As of 30 September 2018, the number of employees of the Bank is 2.250 (31 December 2017: 2.478).

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

HSBC Bank A.Ş.'s Articles of Association had no changes in 1 January – 30 September 2018 period.

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

HSBC Bank A.Ş. Board of Directors as of 30 September 2018:

<b>Name and Surname</b>	<b>Title</b>
David Gordon Eldon	Chairman
Hamit Aydoğan	Chairman Deputy
Süleyman Selim Kervancı	Member, CEO
Robert Adrian Underwood	Member
Mehmet Gani Sönmez	Member
Edward Micheal Flanders	Member
Neslihan Erkazancı	Member
Georges El Hedery	Member

**6. Audit Committee**

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

<b>Name and Surname</b>	<b>Title</b>
Robert Adrian Underwood	Head of the Audit Committee
Neslihan Erkazancı	Member of the Audit Committee

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

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CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER  
RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)**

**7. Executive Management**

HSBC Bank A.Ş. Executive Management as of 30 September 2018:

<b>Name and Surname</b>	<b>Title</b>	<b>Area of Responsibility</b>
Süleyman Selim Kervancı	CEO	HSBC Bank A.Ş.
Anthony Wright	Deputy CEO	Credit and Risk
Yiğit Arslancık (*)	Executive Vice President	Corporate and Investment Banking
Ayşe Yenel	Executive Vice President	Retail Banking
Burçin Ozan	Executive Vice President	Finance
Rüçhan Çandar	Deputy CEO	Technology and Services
Funda Temoçin Aydoğan	Executive Vice President	Human Resources
İbrahim Namık Aksel	Executive Vice President	Treasury and Capital Markets
Tolga Tüzüner	Head Legal Advisor	Legal

(\*) Per the Board Decision no. 14125 dated 11 July 2018, Hulusi HOROZOĞLU has resigned from his role as the executive vice president responsible for Corporate and Investment Banking as of 11 July 2018 and as per the Board Decision no. 14183 dated 5 November 2018, Yiğit ARSLANCIK was appointed in his place as the Executive Vice President responsible for Corporate and Investment Banking.

**8. HSBC Bank's Financial Power Rating**

According to Moody's Credit Rating Institution's evaluations, HSBC Bank A.Ş.'s rating as of 30 September 2018 is as follows:

<b>Definitions</b>	<b>Rating</b>
Baseline Credit Assessment	caa1
Outlook	Negative
Long-term foreign currency deposit rating	b2
Long-term TL deposit rating	b2
Short-term foreign currency deposit rating	NP
Short-term TL deposit rating	NP
Long-term national scale TL deposit	Baa2.tr

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CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER  
RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)**

**9. Summary of consolidated financial information for the period**

According to unconsolidated financial statements, for the period ending on 30 September 2018, HSBC Bank A.Ş.'s total assets realised at 35.7 billion TL increasing by 45,1% compared to the end of 2017. Loans, which form nearly 54% of the assets, seem to be around 19.4 billion TL gross. Deposits, which are the balance sheet's biggest funding source, have been realised at around 24.1 billion TL and formed 67% of liabilities. The balance sheet's unconsolidated items groups' period-end balances on the relevant dates are shown below.

<b>ASSETS (Thousand TL)</b>	<b>30.09.2018</b>
Financial Assets (Net)	15.375.163
Loans (Net)	19.379.625
Non-Current Assets or Disposal Groups "Held for Sale" and "Held from Discontinued Operations" (Net)	1.581
Equity Investments	34.973
Property and Equipment (Net)	83.272
Intangible Assets (Net)	144.480
Investment Property (Net)	-
Current Tax Asset	5.814
Deferred Tax Asset	172.918
Other Assets	526.359
<b>Total Assets</b>	<b>35.724.185</b>
<b>LIABILITIES (Thousand TL)</b>	<b>30.09.2018</b>
Deposits	24.107.761
Funds Borrowed	1.894.636
Money markets	1.541.343
Securities Issued (Net)	-
Funds	-
Financial Liabilities at Fair Value Through Profit or Loss	-
Derivative Financial Liabilities	1.810.363
Factoring Liabilities	-
Lease Liabilities	-
Provisions	678.003
Current Tax Liability	54.667
Deferred Tax Liability	-
Liabilities Related to Non-Current Assets "Held For Sale" and "Held from Discontinued Operations"(Net)	-
Subordinated Debt	1.732.119
Other Liabilities	1.104.381
Shareholders' Equity	2.800.912
<b>Total Liabilities</b>	<b>35.724.185</b>

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<b>ASSETS (Thousand TL)</b>	<b>31.12.2017</b>
Cash Balances with Central Bank	3.903.455
Financial Assets at Fair Value Through Profit or Loss	946.633
Banks	343.933
Money Markets	1.794.965
Available-for-Sale Financial Assets (Net)	1.362.164
Loans and Receivables (Net)	15.212.604
Factoring Receivables	394.213
Subsidiaries (Net)	34.973
Hedging Derivative Financial Assets	-
Property and Equipment (Net)	82.671
Intangible Assets (Net)	147.758
Tax Asset	163.605
Assets Held for Resale and Related to Discontinued Operations (Net)	1.690
Other Assets	239.259

**Total** **24.627.923**

<b>LIABILITIES (Thousand TL)</b>	<b>31.12.2017</b>
Deposits	16.369.715
Liabilities Held for Resale and Related to Discontinued Operations (Net)	739.179
Borrowings	2.604.727
Liabilities to Money Markets	-
Miscellaneous Payables	263.431
Other Liabilities	262.202
Hedging Derivative Financial Liabilities	-
Provisions	681.073
Tax	42.466
Subordinated Loans	1.100.050
Equity	2.565.080

**Total** **24.627.923**

Information related to HSBC Bank's unconsolidated income statement for 30 September 2018 and 30 September 2017 were shown below with the changes.

<b>STATEMENT OF INCOME (Thousand TL)</b>	<b>30.09.2018</b>
Net Interest Income	1.192.717
Other Non-Interest Income	99.426
<b>Total Operating Income/Expense</b>	<b>1.292.143</b>
Other Operating Expenses (-)	740.405
Provision for Loan Losses (-)	229.185
Net Operating Income/(Loss)	322.553
Tax Provision (-)	77.516

**NET PROFIT/LOSS FOR THE PERIOD** **245.037**

<b>STATEMENT OF INCOME (Thousand TL)</b>	<b>30.09.2017</b>
Net Interest Income	998.383
Other Non-Interest Income	137.967
<b>Total Operating Income/Expense</b>	<b>1.136.350</b>
Other Operating Expenses (-)	714.642
Provision for Loan Losses and Other Receivables (-)	284.548
Net Operating Income/Loss	137.160
Tax Provision (-)	2.280

**NET PROFIT/LOSS FOR THE PERIOD** **134.880**

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RELATED TO ACTIVITIES IN THE INTERIM PERIOD (Continued)**

**Message from David Eldon, Chairman**

The global economy continues to be affected by a currently robust US economy and the slowing or in some cases stagnating economies of the rest of the world. The stress of this divergence is negatively impacting many emerging markets. The raising of interest rates by the US Fed to prevent the US economy from overheating is constraining the policy options of other countries, where financial conditions are tightening, and oil prices are for now at least maintaining higher than anticipated levels, and trade tensions remain sharply in focus. Our Global GDP growth forecast for 2018 is unchanged at 3,0%, whilst 2019 and 2020 forecasts are at 2,8 % and 2,5%, respectively.

Europe has continued to slow during 2018, but growth remains in the region. Countries such as Argentina and South Africa are already in recession but other parts of the emerging world are slowing or likely to see much slower growth in the coming months, and particularly where subsidies on items such as fuel are evident. Hence, while higher interest rates might make sense for the US economy, it may be detrimental in a world that is losing momentum.

Our expectations on GDP growth rates for the Eurozone remain unchanged at 2,0% in 2018 and our 2019 and 2020 forecasts are 1,7% and 1,4%, respectively. Emerging Markets GDP growth forecast for 2018 remains unchanged at 4,6%, whilst the 2019 forecast has been downgraded by 0,3pp to 4,6% and the 2020 forecast is at 4,7%. Rising volatility and higher interest rates across much of CEEMEA indicate slower growth.

Our Global Research team has revised its global inflation forecast for 2018 downwards from 3,1% to 3,0%. Similarly we revised the 2018 inflation forecasts downwards for both Eurozone and emerging markets by 0,1pp to 1,7% and 3,8%, respectively.

Turning to Turkey, growth in 2Q18 was 5,2% y/y, slowing from 7,4% y/y in 1Q18. Our 2018 GDP forecast remains at 3,9%. Growth in 2Q18 was driven largely by domestic demand whereby household spending and government spending both accelerated, followed by the increase in exports. However, our view for the rest of 2018 is that growth will slow significantly, due to weak economic data released during 3Q18. The purchasing managers' index continued its downward trend by falling to 42,7 points in SEP18. Borrowing costs have gone up due to 625bps of monetary tightening after MPC meeting on 13SEP18. As the inflation rate and depreciation in Turkish Lira are mostly occupying the agenda recently, we have noted the Central Bank of Turkey and the government taking all the necessary steps to address these issues, thereby improving confidence in the markets.

As HSBC Turkey, setting our everlasting faith and trust for Turkey at the heart of our business, we aim to contribute to the ongoing success of the Turkish economy and banking industry, primarily by leveraging our global connectivity and expertise to offer a unique value proposition to our customers. Considering the geographic position which makes the country an integral part of the Belt and Road Initiative; we are also best placed to support our customers to benefit from the investment and trade opportunities BRI offers and financing solutions for the related projects.

I would like to thank the Board, the Management Team, our Colleagues and our Clients for their continuing commitment to HSBC.

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**Message from Süleyman Selim Kervancı , CEO**

Our Global Research Team left Turkey's growth forecast in 2018 unchanged at 3,9% at this time, as 2Q18 GDP growth came out as moderate at 5,2%, driven by domestic demand, as well as by exports growth. During 3Q18, however, the economic activity reflected some further slowing, manifested by the contraction of the PMI to 42.7 for the sixth consecutive month in SEP18. Furthermore, the consumer price index (CPI) increased to 24,5% in SEP18 y/y, up from 17,9 % in AUG18. On the other hand, the weakened currency boosted the exports leading the current account to record USD 2.59bn surplus reducing the 12-month rolling deficit to USD 51.13bn.

On 13th September, the Central Bank of Turkey (CBRT) raised interest rates by 625bps to 24%. Following the rate hike, the Ministry of Treasury and Finance, unveiled 'The New Economy Program' with 3 pillars of 'balance, discipline and transformation' to focus on the budget discipline, single-digit inflation and structural reforms to support balanced growth. The targeted GDP growth rates framed within this program for 2018 through 2021 are 3,8%, 2,3%, 3,5% and 5%, respectively. And the inflation is projected from 2018 to 2021 as 20,8%, 15,9%, 9,8% and 6%, respectively.

Looking at the banking sector, net profits came as TL 42,18 bn (USD 7,07 bn) in 3Q18. From JAN-SEP18, the net profit of the sector recorded a 13,4 % rise y/y, compared to the same period last year. The total assets of Turkey's banking sector amounted to TL 4,21 tn (USD 705,24 bn), with an annual increase of 37,9 % y/y. Loans given by banks stood at around TL 2,59 tn (USD 433,70 bn) at the end of September, indicating a 29,8% rise on a yearly basis. Deposits held at the country's banks amounted to TL 2,14 tn (USD 358,24 bn) as of September, with a yearly rise of 30,7%. NPL ratio was 3,22 % as of September this year, rising from 3,04 % in September 2017.

Following our investments in technology transformation; we are firmly determined to offer our customers better digital banking experience with an 'Instant Banking' approach especially through our Mobile Banking services, whereas we have renewed more than 40 online banking transactions' functions, which now brings us to a new level of state of meeting or exceeding customer expectations in a digital banking world. Furthermore, we have signed an agreement to brand the entire apron area of the Istanbul New Airport with our logo and ads images to welcome and see the passengers off. Positioning our brand at the new airport, a hub that connects people and cities with its strategic location, manifests our trust towards Turkey and the commitment to our customers.

As HSBC Turkey; we continue to provide our customers with a strong value proposition. With our global scale, unique network, extensive transaction expertise and experienced teams, we are well positioned to express the potential of Turkey and the opportunities Turkey offers in international markets

Consequently, over 3Q18, our operating income rise 13,7 % from 3Q17, to TRY 1.292 m, while total operating expenses increased 3,6 % from 3Q17, to TRY 740 m. Despite ongoing restructuring costs, HSBC Turkey recorded a profit before tax of TRY 322.5 m as of 3Q18. Our cost/income ratio was 57,3 %. As of 3Q18, the loan portfolio increase 23,8 % over YE17, to TRY 20 bn, and deposits rise 47,3 % over YE17, to TRY 24.1 bn. The HSBC Turkey NPL ratio was 4,3 % at end-September 2018, and the capital adequacy ratio was 18,73 %, above the Banking Regulation and Supervision Agency target minimum ratio of 12%.

In line with the aim to maintain sustainable profitability; As HSBC Turkey, we will continue deepening our relationships with customers for whom we can bring the most value through our international network and expertise. HSBC Turkey is in a perfect position to bring trade and investment opportunities looming from Belt and Road Initiative to our customers thanks to the strategic location of Turkey being an essential part of the BRI.

In closing, I would like to thank my management team and all of our colleagues for their commitment and dedication, as well as our clients for giving us their confidence and trust.



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**10. Additional Information on Period Between 01.01.2018-30.09.2018**

None.

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